

# Agenda – Climate Change, Environment and Rural Affairs Committee

---

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: 14 December 2017

Meeting time: 09.15

For further information contact:

Marc Wyn Jones

Committee Clerk

0300 200 6363

[SeneddCCERA@assembly.wales](mailto:SeneddCCERA@assembly.wales)

---

## 1 Private pre-meeting

(09.15 – 09.30)

## 2 Inquiry into 'low carbon housing: the challenge' – discussion of written evidence

(09.30 – 09.50)

(Pages 1 – 19)

Attached Documents:

Research Brief

## 3 Committee visit to the Scottish Parliament and Government – discussion of findings and next steps

(09.50 – 10.20)

## Public meeting

## 4 Introductions, apologies, substitutions and declarations of interest



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

## **5 Inquiry into community energy – oral evidence session**

(10.20 – 11.10)

(Pages 20 – 58)

Merlin Hyman – Chief Executive, Regen South West

Robert Proctor – Business Development Manager, Community Energy Wales

### **Attached Documents:**

Research Brief

Paper – Regen South West

Paper – Community Energy Wales

## **Break (11.10 – 11.20)**

## **6 Inquiry into community energy – oral evidence session**

(11.20 – 12.10)

(Pages 59 – 71)

Holly Cross – Director, Cwm Arian Renewable Energy

Benedict Ferguson – Director (Treasurer), Community Energy in  
Pembrokeshire

Grant Peisley – Director, Cyd Ynni (participating via video conference)

Jenny Wong – Coetir Mynydd (Cyd Ynni, consortium) (participating via video  
conference)

### **Attached Documents:**

Paper – Community Energy in Pembrokeshire

Paper – Cyd Ynni

## **7 Paper(s) to note**

(12.10 – 12.15)

- 7.1 Correspondence between the Chair and the Cabinet Secretary for Energy, Planning and Rural Affairs, and the Minister for Environment regarding the Committee's report, 'Branching out: a new ambition for woodland policies'**

(Pages 72 – 81)

**Attached Documents:**

Correspondence between Chair and Cabinet Secretary for Energy, Planning and Rural Affairs and the Minister for Environment

- 7.2 Letter from the Cabinet Secretary for Energy, Planning and Rural Affairs regarding the Committee's Natural Resources Policy workshop**

(Pages 82 – 86)

**Attached Documents:**

Letter from Cabinet Secretary to Chair

- 7.3 Letter from the Chair of Natural Resources Wales regarding the disposal of dredged sediment at sea under marine licence 12/45/ML**

(Pages 87 – 92)

**Attached Documents:**

Letter from Chair of Natural Resources Wales

- 7.4 Letter from the Chair of Natural Resources Wales following annual scrutiny of Natural Resources Wales**

(Pages 93 – 97)

**Attached Documents:**

Letter from Chair Natural Resources Wales

- 8 Motion under Standing Order 17.42(vi) to resolve to exclude the public from the meeting for the following business:**

Item 9 of this meeting.

- 9 Private debrief**  
(12.15 – 12.30)

Document is Restricted

# Agenda Item 5

By virtue of paragraph(s) vi of Standing Order 17.42

Document is Restricted

## **How can Wales grow local ownership of renewable energy**

1. The seismic technological shifts transforming energy offer an opportunity to rethink the energy system from the bottom up. Decentralised generation, storage and flexibility and digital technology enable supply and generation of electricity to be balanced locally, reducing demands on higher voltage energy networks.
2. The transition to a bottom up energy system is an opportunity to give greater control of power generation and use to local and community based organisations, therefore, retaining the economic value locally.

- **Local energy markets**

3. Enabling matching supply and demand at a local level and allowing flexible distributed energy resources to provide services to the energy system requires local energy markets and platforms on which buyers and sellers can transact. These are at an early stage of development, for example the Energy Local trial at Bethesda; the Centrica local energy market trial in Cornwall and the Open Utility local energy platform development funded by BEIS.
4. There is a risk that the markets and platforms that emerge are not designed for community level solutions and are too complex for local players to engage with.
5. Key opportunities/challenges for Wales on local and community energy are:
  - a. Supporting local and community generators to understand the shifting market and new opportunities so that they can participate
  - b. Independent and technical support for the development of local energy market trials that enable community and local players to offer services such as storage and demand side response
  - c. The development by Ofgem of a supportive regulatory framework for local supply and peer to peer energy trading
  - d. Ensuring that the shift of distribution network operators (DNOs) to distribution system operators (DSOs) includes engagement with local and community generators
  - e. Engage in the Ofgem Charging Futures Forum to press for network charging arrangements that recognises where electricity is generated and used locally.

- **Grid access**

6. Grid access is key for renewable generation. The lack of grid infrastructure in Mid-Wales in particular, is a barrier for renewables. There are significant local constraints

to further renewable development across Wales. DNOs are offering a range of 'smart' solutions to enable generation to continue to connect but there will be a need for some reinforcement to enable more renewable generation.

7. Key opportunities are:

- a. Work with National Infrastructure Commission to identify the need for investment in energy networks. Grid needs to be tackled as part of a package of development in Mid-Wales
- b. Ofgem Charging Futures Forum includes an 'Access Taskforce'. This could be used to press for a first right of access for local communities.

- **Planning**

8. There has been limited use of the planning system so far to promote local ownership of renewable energy. Some local authorities such as Cornwall have included positive words on community and local ownership within local planning frameworks.

9. Key opportunities/challenges

- a. The Welsh Government's commitment to local ownership could be transferred into a planning requirement. This needs to be translated into local plans.
- b. More certainty for renewable energy projects entering the local planning system. Welsh minister have written to local authorities urging them to set areas for "local authority scale" renewable energy projects based on "Planning for renewable and low carbon energy – a toolkit for planners". Regen worked with Merthyr Tydfil on developing the evidence base required to allocate areas. Our experience is that there needs to be further support beyond commissioning the evidence base to support officers to develop appropriately worded policy, to gain councillor and local support for a policy, and to encourage councillors to put these policies into the local plan.

- **Project economics**

10. In the budget the chancellor announced there will be no further subsidies for renewables with the Feed in Tariff ending in April 2019. This means renewables will become about the only generation technology that doesn't receive any price support.

11. Onshore wind and solar are now amongst the cheapest new forms of electricity generation. However, it is difficult to make a project investable if it is reliant on the wholesale price of power for income and, therefore, subject to power price risk.

12. There has been discussion of a 'subsidy-free' Contract for Difference (CfD) for on-shore wind and solar set at the current wholesale price that guarantees a set level of income to attract investors.

13. Key opportunities/challenges



- a. Press onshore wind and solar to be able to compete for CfDs.
- **Access to finance**
14. With access to low cost finance there is an opportunity for existing renewable energy assets to be taken into community ownership. New 'subsidy free' schemes could also become viable.
  15. Community energy is specifically excluded from accessing Social Investment Tax Relief. The EIS tax incentive scheme was critical in attracting local finance to community energy schemes. Given that community energy generation projects will shortly not be eligible for subsidies, there seems no reason for excluding the sector from the tax relief available to other forms of social investment.
  16. Key opportunities/challenges
    - a. Press the Treasury to remove the ban on community energy projects accessing Social Investment Tax Relief.
    - b. Consider working with social investment providers to enable access to low cost finance both to buy out existing assets and develop new projects.
- **Access to technical support**
17. Community and local energy schemes need consistent support with support for core costs, key partnerships, access to independent expertise and project development. For example, Regen currently works with three community energy groups on providing detailed technical support on new business models including around storage and microgrids.
  18. This support should be joined up with support for LAs and businesses so collaboration is encouraged
  19. Key opportunities/challenges
    - a. Continue and extend support for community and local energy projects – including with expertise in emerging new 'smart energy' business models
    - b. Support communities in negotiations around buying out existing assets.
- **Access to sites**
20. There is an opportunity for large public landowners such as NRW and Welsh Water to work with local communities to develop projects on their land – potentially with private wire connections.
  21. In our experience many landowners look at their own opportunities but aren't aware of the potential benefits of a partnership with a local community on project development.
  22. Key opportunities/challenges

- a. Work with major landowners in Wales to encourage partnerships with community and local energy projects.

Merlin Hyman, Chief Executive, Regen  
04.12.17

Community Energy Wales are delighted to support and provide our thoughts on how we can support the Welsh Government's ambitious targets for Renewable Energy and in particular the target of 1 Gigawatt of Locally Owned Energy. Please find below our response to the questions put to us by the committee.

## **1 Recent progress of Community Energy in Wales**

Community Energy in Wales has seen significant growth over the last few years. In 2013 there was only 0.7 mW capacity of Community owned energy in Wales. The latest report commissioned by Welsh Government shows that this has increased to 11 mW with around 20 mW still in development. Over £6m million has been raised to support these projects through Community Share offers over the last 3 years demonstrating the growing interest in supporting and investing in Community Energy. However, it is also a very challenging environment with many schemes that have been built benefiting from pre-registration for Feed in Tariffs (FITs) before the changes made in late 2015, when the UK Government announced that there would be an early withdrawal of, and significant changes made to, many of the support incentives and mechanisms within the Levy Control Framework (LCF) that had helped the sector to grow in previous years.<sup>1</sup> This means that many of the schemes in development are struggling to find a route to market and our role in partnership with others such as the Welsh Government funded Local Energy service is to support innovation, efficiency savings and work with the Welsh Government to create opportunities creating a more positive environment for Community Owned energy in Wales.

## **2 Examples of good practice and innovation in Wales and beyond**

### **2.1 Bethesda – Ynni Lleol**

This is an innovative trial that enables energy to be sold locally through an energy local club which is a local co-operative set up between people who want to buy their energy locally and local generators. This can provide local people with cheaper energy bills and enable local generators to make a little more from the energy they sell. This model helps to keep more money in the local economy, reduce electricity bills and creates a direct link between consumers and local generators.<sup>2</sup>

### **2.2 Swansea Community Energy and Enterprise Scheme**

---

<sup>1</sup> [https://communityenergyengland.org/files/document/51/1499247266\\_CommunityEnergy-StateoftheSectorReport.pdf](https://communityenergyengland.org/files/document/51/1499247266_CommunityEnergy-StateoftheSectorReport.pdf)

<sup>2</sup> <https://1010uk.org/energylocal/>

This scheme was developed by Swansea City Council but was set up as a Community Energy scheme that is independently run by a group of local volunteer directors. The project was set up as a community benefit society to support more deprived parts of the city and all the profit from the scheme will go to support local initiatives. The solar panels for the scheme were put on local authority buildings and the local authority buy the energy generated from the community benefit society providing cheaper electricity for the buildings as well as generating over £500,000 of community benefit fund for the local community. This is a great example of a local authority supporting community energy to create long term benefit for a community.<sup>3</sup>

### **2.3 Alwens Forest Tender**

Community Energy Wales (CEW) partnered with Innogy a large renewable energy developer on a tender to develop an energy park on part of the National Resources Wales (NRW) managed estate. CEW and Innogy put together a tender which if successful would enable up to 15% of the development to be community owned, enabling the benefits of the scheme to be shared more widely in Wales. This could create a template for how more shared ownership opportunities could be developed in Wales in the future.<sup>4</sup>

### **2.4 Orkneys Surf and Turf**

This is a really innovative project in Scotland that is looking at how to best use the electricity that is generated locally. They have developed innovative storage solutions and are also looking at how they can use the electricity to decarbonise transport on the island.<sup>5</sup>

## **3 Barriers to the development of community energy projects**

### **3.1 Reduction in Feed in Tariffs**

Reductions in Feed In Tariffs (FITs) have hit the sector hard with many projects no longer being financially viable. A large number of community energy projects have been adversely affected by these changes, including many respondents to the recent 'State of the Sector' report. Of the 123 generation projects surveyed who used a form of energy subsidy, 88% utilised the FiT, 12% used the Renewable Obligation Certificates (ROC) scheme and 7% used the Renewable Heat Incentive (RHI)<sup>23</sup>.

In terms of developing projects, 21 organisations stated that FiT changes were a key reason for their project stalling. A further 36 organisations stated that reinstatement of viable FiT levels or the

---

<sup>3</sup> <https://www.swanseacommunityenergy.org.uk/>

<sup>4</sup> <https://www.renewableuk-cymru.com/2017/08/a-new-partnership-for-onshore-wind-in-wales/>

<sup>5</sup> <http://www.surfnturf.org.uk/>

creation of community specific support or subsidies are essential in enabling communities to realise their energy objectives.<sup>6</sup>

### **3.2 Business Rates – particularly hydro**

Business rates are a significant cost to Community Energy schemes and hydros in particular have seen huge increases in Business Rates following the recent revaluation. We have seen the rateable value for some of our members increase by up to 540% with the average being nearly 200%. This has taken many of the projects above the level for small business rate relief, making many of these projects unviable or loss making. (Appendix 1)

### **3.3 Access to land and buildings**

Community groups often do not have access to land or buildings to develop projects on. It is therefore essential for them to identify and work with supportive landowners who can allow access to their land to enable projects to progress. To date the potential of unlocking publically owned or managed land to communities has not been developed with few community projects being developed on publically owned land.

### **3.4 Procurement Process**

The tendering and procurement process to date has not supported Community Owned projects to tender for projects on publically owned land such as the NRW estate. Often the financial requirements of the tender immediately exclude Community Energy groups being eligible. There are also significant costs incurred in the tendering process that communities can simply not afford to take on, unlike a commercial developer meaning it is not an equal playing field.

### **3.5 Flexible, low cost long term finance**

With the reduction of FITs making projects less viable it is becoming increasingly difficult to access finance for projects. Projects need lower cost finance over longer periods in order for them to be viable. Often these can be re-financed through community share offers but the process of raising a share offer is too slow in many circumstances. This is improving through Finance Wales, Robert Owen Community Banking and the Local Energy Service but given the targets for shared ownership the amount available needs to increase and the terms need to be looked at in a more challenging market.

### **3.6 Complex regulated market**

The electricity market is highly regulated and it means that it is often inflexible and makes it challenging to develop new models that enable electricity to be produced and sold locally. There are

---

<sup>6</sup> <https://communityenergyengland.org/pages/state-of-the-sector-report>

models such as energy local that have found ways around this but they are bespoke and not always suitable to every community or area.

### **3.7 Grid constraints**

The grid is full in many parts of rural Wales, upgrades are required before more generation can be connected. In Wales community projects have either been constrained or abandoned due to grid constraints. For example the Ynni Anafon hydro scheme had the potential to deliver a capacity of 500kW but was constrained to 270kW. An 18kW scheme in Abernant mid Wales was a small £100,000 scheme and was given a bill of £5.7 million to upgrade 48km of line in Mid Wales.

### **3.8 Planning**

The planning system in Wales has held back a number of schemes with some inconsistent approaches between planning authorities. Cwm Arian in Pembrokeshire had 2 planning applications turned down by the planning authority and was eventually successful following a 2<sup>nd</sup> appeal to the Welsh Government. Unfortunately this was too late for the project as the changes to the FITs meant the project was no longer financially viable.<sup>7</sup>

## **4 Views on how Wales' target of generating 1GW from locally owned energy by 2030 can best be achieved**

In looking at this question we have focused on areas that the Welsh Government actually has control of and can influence. There are other factors such as the reduction in FITs, the removal of tax relief for community share offers and OFGEM regulations that are not devolved issues and can only be affected by lobbying from the Welsh Government and greater devolution. We would support this approach from the Welsh Government but in the meantime there are areas where Welsh Government could make a difference.

Ultimately our approach is to look at ways to reduce costs and increase the value of the energy that we sell. We also need to increase the amount of access Community Energy projects have to viable sites in Wales.

### **4.1 Business Rates**

We would propose that as in Scotland there should be 100% business rate relief for **all** community energy projects in Wales. (Appendix 1)

We have gathered information on business rates paid by our members and based on this information we believe that 100% rate relief for Community Energy Projects will cost in the region of £110,000 to deliver annually.

---

<sup>7</sup> [https://www.youtube.com/watch?v=H\\_4k0maxenM&feature=youtu.be](https://www.youtube.com/watch?v=H_4k0maxenM&feature=youtu.be)

- All savings made in business rates would be used to deliver the social aims of the Community Energy organisations which focus on developing more community owned energy, relieving fuel poverty, making their communities more resilient, creating jobs and supporting social enterprise in their communities. This would have a huge impact at a local level<sup>8</sup>.
- The community energy sector would become more self-reliant and sustainable as it is more able to support itself, develop more initiatives as well as building our capacity within the sector.
- More Community Energy schemes will be viable in the future and it will encourage a resurgence of growth in the Community Energy sector bringing £millions of investment and significant community benefit to Wales<sup>9</sup>.
- This could stimulate joint ventures between Community Energy groups and Commercial developers as it would make community partners a more attractive proposition.

#### **4.2 Access to Public land and buildings**

There is huge potential for more productive use of underutilised land and buildings and community ownership, on a significant scale for community asset development, through renewable energy. This could be achieved through asset transfer and disposal or acquisition of land, as part of a wider Community Right to Buy for Wales, in a similar way to Scotland, through the Scottish Land reform act 2016<sup>10</sup> and Scottish Community empowerment Act 2015<sup>11</sup>.

We would propose:

- A commitment from public bodies to identify sites suitable for Renewable Energy that is publically available
- Communities have the right to identify assets or sites where Renewable Energy schemes are viable and to submit a proposal to develop the site if no action is being taken by the public body.
- A public body is obligated to respond with a yes or no within a certain amount of time and must justify their reasoning if a proposal is turned down.
- There should be more onus on bodies such as Natural Resources Wales to show how their tender process fits into the Well-being of Future Generations (Wales) Act 2015 criteria.

#### **4.3 More flexible low cost finance**

According to a report from Community Reinvest, local government pension funds in the UK invest over £14 billion into fossil fuel companies. Welsh councils specifically invest £739 million of their

---

<sup>8</sup> [https://communityenergyengland.org/files/document/51/1499247266\\_CommunityEnergy-StateoftheSectorReport.pdf](https://communityenergyengland.org/files/document/51/1499247266_CommunityEnergy-StateoftheSectorReport.pdf)

<sup>9</sup> [https://communityenergyengland.org/files/document/51/1499247266\\_CommunityEnergy-StateoftheSectorReport.pdf](https://communityenergyengland.org/files/document/51/1499247266_CommunityEnergy-StateoftheSectorReport.pdf)

<sup>10</sup> <http://www.legislation.gov.uk/asp/2016/18/contents/enacted>

<sup>11</sup> <http://www.legislation.gov.uk/asp/2015/6/contents/enacted>

pension funds in fossil fuel companies. That equates to 6.6% of their total investments, higher than in Scotland, England or Northern Ireland. This investment occurs despite the financial, social, technological, environmental and regulatory risks associated with such investments. Furthermore, the Well-being of Future Generations (Wales) Act adds a duty to the public bodies listed in the Act, including local authorities, to consider the long-term implications of their actions.<sup>12</sup>

We would support the following recommendations from the IWA ‘Re-energising Wales’ report:

Welsh Local Government pension funds should significantly reduce their exposure to investment in fossil fuels. All funds should identify and take climate change into account as a key risk. Welsh Local Government Pension funds should consider setting a target of 5% total investment in Welsh renewable energy projects by 2020.

All public sector pension boards in Wales should recruit a suitably experienced renewable energy advisor or employee and increase industry engagement by joining an industry body such as the Institutional Investors Group on Climate Change.

Welsh Government should support the development of a new cooperative, charitable or not for profit body which has a clear brand and supports investment in Welsh renewable energy projects. CEW have started to develop this through YnNi Teg and the joint tender with Innogy for the Alwens Project.

Build on the successful finance offered through finance Wales to look at opportunities for flexible finance where more is available to facilitate shared ownership opportunities, repayment periods are longer and explore the possibility of accessing cheaper finance to enable schemes to become more viable.

#### **4.4 Guaranteed price for community energy**

We would like WG and other public bodies to consider being the buyer of choice for community generated energy throughout Wales. The added value of community generated energy is well documented<sup>1314</sup> as currently a simple cheaper price approach is being undertaken by public bodies in Wales and they are not recognising the multiplier effect or social benefits of community generated energy. Options for moving to more locally sources currently available include a flex power purchase agreement, sleeving contract and or a larger scale Energy Local agreement.

#### **4.5 Planning**

---

<sup>12</sup> [http://www.iwa.wales/wp-content/uploads/2017/04/IWA\\_ReEnergisingWales-9.pdf](http://www.iwa.wales/wp-content/uploads/2017/04/IWA_ReEnergisingWales-9.pdf)

<sup>13</sup>

<http://www.regenwales.org/upload/pdf/071015091201Impact%20of%20Small%20and%20Community%20Hydro%20in%20Wales.pdf>

<sup>14</sup> [https://communityenergyengland.org/files/document/51/1499247266\\_CommunityEnergy-StateoftheSectorReport.pdf](https://communityenergyengland.org/files/document/51/1499247266_CommunityEnergy-StateoftheSectorReport.pdf)



We believe the social and economic benefits of Community Energy schemes should be highlighted and given material weighting in the planning process and this should take into account the long term impacts of these schemes. This is currently too inconsistent in Wales and has in some cases led to expensive appeals where the local planning authorities decision has ultimately been overturned.

We need to look into the use of larger taller turbines to make wind energy viable without subsidies. If there is a greater community stake in these larger projects does that increase the public support. A study should be commissioned to measure Welsh support for renewable energy to give planning authorities and the Welsh government confidence similar to that produced by the UK government which show overwhelming public support for Renewables.<sup>15</sup>

All Solar PV on buildings should be permitted development including greater than 50kW schemes. Permitted development could be considered for other technologies as well such as hydro under 30kW.

#### **4.6 Grid**

In the short term strategic investment in grid infrastructure is undertaken as a matter of urgency to support continuing low carbon generation in rural Wales. A strategic review should be done to identify where projects can go and where investment should take place. This should include opportunities for locally owned energy.

Support innovation between the District Network Operators and locally owned energy to develop smart grid and storage innovations that support active network management.

#### **4.7 Supporting Innovation**

Make Wales a leader in grid network innovation and support the development of trials and pilots in Wales. Ensure Wales is successful in accessing as much of the Ofgem network innovation fund as is possible.<sup>16</sup>

Set up a fund in Wales to support communities to develop innovative solutions to delivering energy savings or sustainable energy solutions. The climate challenge fund in Scotland is a fund which encourages community based solutions.<sup>17</sup>

---

<sup>15</sup>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/656549/Wave\\_23\\_Summary\\_Report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/656549/Wave_23_Summary_Report.pdf)

<sup>16</sup> <https://www.ofgem.gov.uk/network-regulation-riio-model/network-innovation>

<sup>17</sup> <https://www.keepsotlandbeautiful.org/sustainability-climate-change/climate-challenge-fund/>

Continue to fund the Local Energy Service and provide grants, development loans and development officer support. The programme may need to take more risk as the route to market is more challenging.

## **5 Our Views on the support provided by the Welsh Government through its Local Energy Service**

This support is highly valued in the Community Energy sector and the relationships between the communities and Development Officers (DO's) are very strong and they provide a great support to many community energy projects.

The support offered has continually improved over the years through the Ynni'r Fro programme and now through the Local Energy Service. It has offered greater flexibility as the programme has developed which has been essential in enabling communities to develop complex projects in an ever changing market. There is a risk that when tendering for an all-encompassing service to support business, local authorities and community owned energy could negatively impact on the support provided to the Community Energy sector. It is essential that this support is not lost or watered down in any tender process and the strong relationships built up with the DO's are not undervalued.

## **6 In Conclusion**

Despite the challenging environment for small scale renewable energy and in particular community owned energy we still believe there are significant opportunities in the future. While Westminster has been less than supportive in this area we feel pleased that the Welsh Government have strong ambitions in this area. We hope that this report provides useful thoughts on what the Welsh Government can deliver to create a more positive and enabling environment for community energy in particular but many of these ideas would also support the target for 1 GW of locally owned energy.

## **Appendix 1 – Correspondance between Cabinet Secretary for the Finance and Local Government – Mark Drakeford AM and CEW on business rates**

**(Figures in Appendix 2)**



Mr Mark Drakeford AM,  
Cabinet Secretary for Finance and Local Government, Welsh Government,  
Tŷ Hywel,  
Cardiff Bay,  
Cardiff,  
CF99 1NA

Date: 16/06/17

### **Business rates revaluation for Community Owned Energy – Hydropower**

Dear Mr Drakeford

I am writing to you on behalf of Community Energy Wales. We are a membership organisation representing the Community Energy Sector in Wales and have over 60 members.

I am specifically writing about the recent changes to Business rates that are affecting many of our members in particular those that own hydropower sites. We have seen the rateable value for some of our members increase by up to 540% with the average being nearly 200%. This has taken many of the projects above the level for small business rates relief or to a level where the relief being offered through small business rates relief is significantly less than previously.

For existing schemes in 2016/17 they collectively contributed £17,498 and in 2017/18 they will collectively be looking to pay £90,615. This is a rise of over 400% and one of our members has highlighted that up to 30% of their turnover would go to meeting this tax. I appreciate this does not take into effect the Transitional rate relief they may be entitled to but even with the staggered transitional relief we would see rises in the total amount contributed of 4.46% in Year 1, 109% in Year 2 and 213% in Year 3. We feel that it is not proportionate and it will have a significant impact on many of our members.

There are also a number of schemes in development that have modelled their schemes using the existing Business rates with modest increases in line with inflation. However, with the new valuations at least 2 of these schemes are now in jeopardy and may not go ahead at all. This will

1

Company no. 08069668

Registered Office: Community Energy Wales, 17 West Bute Street, Cardiff Bay, Cardiff, CF10 5EP

obviously have a negative impact on the communities but will also mean that any potential business rate income would also be lost and that would benefit no one.

It is important to bear in mind that Community Energy schemes are very different from other commercial schemes. Firstly they are run by volunteers and secondly they are set up to re-invest any surplus back into particular social aims that they would make explicit in their Rules, Mem and Arts or Constitution. Each of these schemes will have different legal structures and different social aims but the important fact remains that the income they are losing through the changes to the business rates will now no longer be going towards achieving their social aims but would be diverted to pay the large increase in business rates.

Another important factor to remember is the huge amount of social capital that has gone into these projects. A recent survey we carried out estimated that on average 350 volunteer days had gone into developing Community Energy projects. This is probably an underestimate. These individuals have put huge amounts of their time to develop projects that match the aims of the Wellbeing of Future Generations Act. They are developing clean renewable energy that is locally owned, where any surplus is used for clearly stated social aims and where in many cases ordinary people are able to invest and become an equal member in the scheme through a community share offer. In Wales over the last 3 years more than £5 million has been raised through community share offers. Often these schemes are supporting community services that have been cut over the last few years. They are investing in their communities.

We have advised our members to take the following action initially:

- Ensure they are applying for Small Business Rate Relief if they are eligible.
- Apply for the transitional rate relief that they may be entitled to.
- Appeal against the property valuation
- Contact their local authority to see if they are eligible for the discretionary rate relief available to charities and not for private profit organisations.

However, we believe that there is more that could be done to support the Community Energy Sector in Wales. We would be keen to discuss the following with you.

### **Amendment to the valuation calculation**

There is clearly a basic problem with the valuation calculation for hydro schemes. Would the Welsh Government be willing to work with us to challenge the Valuation Office Agency on how they have calculated the rateable value?

We appreciate that this is out of Welsh Governments control so we would also like to discuss measures that are within Welsh Governments control.

**Rate Relief for Community Energy projects in Wales** – We propose that a very effective way to overcome the dis-proportionate rate rises and promote the development of Community owned

Energy in Wales would be to offer specific rate relief for Community Energy Projects. In Scotland all Community Energy schemes with a rateable value of less than £145,000 are eligible for 100% rate relief. It also allows up to 100% rate relief for shared ownership schemes where at least 15% of the profits are going to a community organisation<sup>1</sup>. If it is above £145,000 then rate relief is available but it depends on the rateable value of the project. Speaking to our colleagues at Community Energy Scotland they have said that this has had a major impact in encouraging the growth in shared ownership schemes and it has enabled new community energy schemes to be developed that would otherwise not have been viable.

We believe that by considering this opportunity then there could be multiple benefits.

- Ensuring that the hard fought surplus that Community Energy schemes generate are able to be utilised for the social aims intended.
- That existing community energy schemes are able to continue to operate and thrive.
- That there is greater opportunity for new wholly owned community energy schemes to be developed
- That shared ownership of energy assets becomes far more common in Wales ensuring that many more of the benefits of larger schemes are retained locally and in Wales.

We believe that all this matches the aims of the Welsh Government and was highlighted when Lesley Griffiths, the Cabinet Secretary for the Environment recently stated an ambition for Wales to be a nation renowned for clean energy<sup>2</sup> and gave an indication that as well as targets for Renewable Energy there would be specific targets for Community Owned Energy.

For your information I have also sent a copy of this letter to Lesley Griffiths, the Cabinet Secretary for the Environment.

We would be delighted to discuss this further with you and look forward to hearing back from you.  
All the best



Robert Proctor

Business Development Manager

Community Energy Wales – Ynni Cymunedol Cymru

---

<sup>1</sup> <https://www.mygov.scot/business-rates-relief/renewable-energy-generation-relief/>

<sup>2</sup> <http://gov.wales/newsroom/environmentandcountryside/2016/161206-environment-secretary-sets-out-ambitions-for-wales-to-become-nation-renowned-for-clean-energy/?lang=en>

Mark Drakeford AM/AC  
Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol  
Cabinet Secretary for Finance and Local Government



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref MD/00428/17

Robert Proctor

*Deu Mr Proctor,*

5 July 2017

Thank you for your letter of 16 June regarding the effects of the non-domestic rates revaluation 2017 on some of your members, particularly those who run hydropower schemes.

I welcome the investment that community energy schemes provide and their contribution towards Wales' decarbonisation agenda. I also appreciate the concerns of your members regarding the impact of the revaluation. However, the Valuation Office Agency (VOA) has responsibility for independently assessing the rateable value of non-domestic properties in Wales and as such, I cannot comment on individual cases of assessment.

I understand that the VOA has worked closely with industry representatives during the revaluation exercise to ensure the new rateable values accurately reflect the current market conditions. In addition to this, the Welsh Ratepayer's Forum, lead by the VOA, has met to engage with stakeholders and industry representatives during the revaluation, and includes representation from the British Hydropower Association.

Whilst I am aware that some hydropower installations and other community energy schemes in Wales are seeing increases in rateable values, many will still benefit from Small Business Rates Relief (SBRR) and will also be supported by the transitional relief I have implemented.

The SBRR scheme which has been extended until 31 March 2018 provides 100% relief to eligible business with a rateable value of up to £6,000 and tapered relief for those valued between £6,001 and £12,000. This scheme provides relief to over 70% of ratepayers in Wales, with over 50% paying no rates at all.

The £10m Transitional Rate Relief scheme, which is fully funded by the Welsh Government, is also assisting businesses whose entitlement to Small Business Rates Relief has been adversely affected by increases in their rateable value following the revaluation. This scheme will assist eligible ratepayers by enabling them to phase in any increases in the amount they have to pay over a three-year period. There is no application process with the relief automatically applied to eligible ratepayers' bills.

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400  
[Gohebiaeth.Mark.Drakeford@llyw.cymru](mailto:Gohebiaeth.Mark.Drakeford@llyw.cymru)  
[Correspondence.Mark.Drakeford@gov.wales](mailto:Correspondence.Mark.Drakeford@gov.wales)

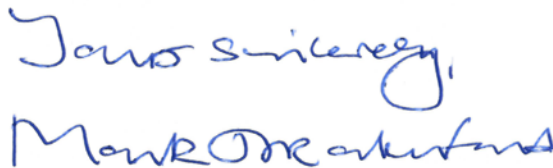
Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I note the rate relief being provided by the Scottish Government's to support hydropower community schemes. Introducing a new form of non-domestic rates relief could add to the complexity of the system and to the costs of administration for local authorities, as well as impacting on the funding available for vital local services which are part funded via non-domestic rates. As such, these factors need to be taken into careful consideration alongside detailed evidence of the specific impact of the revaluation on community hydropower schemes and the benefits any relief scheme would provide. The information you have provided from your members regarding the impact of the revaluation on their specific schemes is very helpful in supporting these considerations.

I am also aware of the recommendations made by the Hydropower Task and Finish Group, for the Welsh Government to work with the sector to consider how the impact of the non-domestic rates revaluation could be mitigated for new schemes receiving a lower feed-in tariff rate than assumed in the revaluation, and the costs and benefits of any measures. A new permanent Small Business Rates Relief scheme will come into force from 2018 onwards and as part of the development of this scheme the case for specific assistance and support for some projects, including community energy projects will be considered.

With regards to the advice you have already provided to your members, the Business Wales service may also be of assistance. This service provides a range of advice on other support available to businesses and can be contacted on 03000 603000, or via the website below: <https://businesswales.gov.wales>.



**Mark Drakeford AM/AC**

Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol  
Cabinet Secretary for Finance and Local Government





Mr Mark Drakeford AM,  
Cabinet Secretary for Finance and Local Government, Welsh Government,  
Tŷ Hywel,  
Cardiff Bay,  
Cardiff,  
CF99 1NA

Date: 09/08/2017

**Business rates revaluation for Community Owned Energy – Hydropower**

Dear Mr Drakeford

Thank you for your response to my letter dated the 16/6/17, I do appreciate you taking the time to consider the issue and reply. Unfortunately, your response will not provide much hope for our members affected by these significant rate rises as we had already taken the impacts of the SBRR and Transitional rate relief into account when highlighting the challenges this poses to our members.

We certainly value Small Business Rate Relief (SBRR) and many of our members do benefit from it. Unfortunately as highlighted in our previous letter, due to the significant changes to the way hydro schemes are valued this means that many of them are now above the threshold for SBRR or have moved from 100% relief to significantly less relief.

We also recognise the support from the Transitional Rate Relief scheme. This obviously helps in the initial period but actually due to the nature of these projects and how they are financed this relief merely delays the problem and does not resolve it.

We believe there are particular circumstances which mean that Community Energy schemes should be provided with additional support to overcome the impacts of the business rate hike.

- Community Energy schemes cannot increase productivity. Schemes are reliant on how much rain falls, how windy it is or how much the sun shines. Therefore, our members cannot offset the increase in business rates by looking at ways to increase productivity.
- Community Energy schemes cannot increase the cost of their product. Electricity generation and cost is highly regulated with the aim of keeping costs for consumers low. As community energy schemes are inevitably small they have very little bargaining power when it comes to negotiating price. Therefore, they cannot incorporate the business rates rise into the cost of their product.
- Most Community Energy schemes are financed over a long period of time. Many are financed through community share offers that enable ordinary people to have a direct stake

7



in the scheme. This means that the repayments are often made over 20 years. It was impossible for them to have predicted the enormous change in their valuation that has recently occurred.

- All these factors combine to having a significant impact on the cashflow of the schemes where they are often put under stress following long dry periods etc.
- All these schemes have invested huge amounts of volunteer time (average 350 days per group) to develop these schemes with the intention that any surplus goes to support a particular social aim. It now appears that Peter is being robbed to pay Paul and the amount of social capital they have put into these schemes to support their local communities is not being recognised. Without this volunteer time these schemes would not have happened, no business rates would be paid, no investment would have happened and no social benefit would occur.
- Feed in tariff (FITs) levels have dropped massively by over 50% for hydro meaning that any new hydro's are struggling to be financially viable in the long term, particularly after these rate changes.

We also know of 3 community energy projects that are likely to have to abandon their projects following the rates increase. These projects have collectively received over £40,000 in WG grants as well as significant time from Ynni Lleol development officers and are involved in the Energy Local pilot which has received £90,000 in funding from the Welsh Government. As they are now unlikely to progress it will mean that:

- over £40,000+ in Welsh Government support will have been wasted,
- the social capital through their volunteer time would be in vain,
- about 500KW of community owned renewable energy will not be developed,
- over £1.5 million pounds of investment would not be made in these communities,
- there would be no social benefit and
- we estimate that over £160,000 would be lost in business rates over the next 20 years.

To highlight these factors I have included a few quotes from our members that sum up the varying challenges for them.

*'I can say that the £7500 increase in our rates bill will result in a similar amount being no longer available to grant aid the support of wardens and equipment to the sports clubs in our park. In an average year that is an approximate 30% reduction and in a poor (dry) year as the last winter will result in a net loss or just break even.'* Taff Bargoed

*'This quarter with the new business rates and low rainfall we made our first loss in nearly 2 years of operation.'* Ynni Anafon

*'The income will be used to maintain and enhance the local environment (particularly woodland), heritage (the 1847 dam) and provide a resource for community development projects. We are building links with local manufacturing businesses on the site of the Felin which was originally*

*powered by the dam with the intention of supplying them with competitively priced, renewable, community-generated power. There is sufficient capacity in the scheme to provide power to both local industry and the community through the Energy Local scheme which is piloted in Bethesda. The emerging business model is designed to withstand anticipated reductions in FIT but is imperilled if burdened with business rates of £40k.’ Coetir Mynydd*

*‘Business tax was part of our business plan but the changes in the valuation means that Ogwen Energy Ltd will pay around £ 10,000 business tax annually. This is 280% more than what we have assumed as a society but also more than anyone had advised us. The primary effect of this unreasonable tax is that Ynni Ogwen Ltd will make no profit to be used in the community for 9 years. Indeed, it was a viable business plan which envisaged a profit of £ 450,000 for community use for the first 20 years of the plan but has been shattered completely.’ Ynni Ogwen*

I am afraid that the current relief does not resolve the issue for our members and we urge you to work with us to look at how this issue is resolved before we allow another significant blow to the Community Energy Sector.

#### What we would propose?

We would propose that as in Scotland there should be 100% business rate relief for **all** community energy projects in Wales.

From conversations with our members we estimate that without taking SBRR or TRR into account community energy schemes would be contributing around £110,000 a year towards business rates. After SBRR is taken into account this is only £80,000.

Therefore, for a relatively small additional cost of around £80,000 a year Welsh Government could offer 100% rate relief to community energy projects. We believe that this would be a great investment by Welsh Government and could have huge benefits to the community energy sector and the communities they serve.

- The savings made in business rates would be used to deliver the social aims of the Community Energy organisations which focus on developing more community owned energy, relieving fuel poverty, making their communities more resilient, creating jobs and supporting social enterprise in their communities. This would have a huge impact at a local level<sup>3</sup>.
- The community energy sector would become more self-reliant and sustainable as it is more able to support itself, develop our own initiatives as well as building our capacity within the sector.
- The changes to the Feed In Tariff have meant that many community energy schemes are no longer viable. A removal of business rates may enable these projects to be viable in the future

---

<sup>3</sup> [https://communityenergyengland.org/files/document/51/1499247266\\_CommunityEnergy-StateoftheSectorReport.pdf](https://communityenergyengland.org/files/document/51/1499247266_CommunityEnergy-StateoftheSectorReport.pdf)

and encourage a resurgence of growth in the Community Energy sector bringing £millions of investment and significant community benefit to Wales<sup>4</sup>.

- This could stimulate joint ventures between Community Energy groups and Commercial developers as it would make community partners a more attractive proposition. In Scotland they have found this to be the case and it has really encouraged shared ownership schemes.
- It will support the Welsh Governments targets on Renewable Energy and in particular on community owned energy, reduced CO2 emissions, more resilient and vibrant communities and economic regeneration in rural and more deprived areas in Wales.
- It will support the ambition set out in the Environment and Sustainability committees report on 'A smarter energy future for Wales'<sup>5</sup>

We appreciate that incentivising Community Energy in this way would encourage more community energy schemes to be constructed and the amount lost to business rates would increase over time, but this could be reviewed on a 5 yearly basis. We would expect the benefits to outweigh the loss in business rates.

We do not think this requires a significant change to Welsh Government policy on rate relief as you already provide a mandatory 80% rate relief for property occupied by a registered charity and used for charitable purposes and up to 100% relief at the discretion of the Local Authority if the property is occupied by a non-profit making body and used for purposes which are charitable, to do with social welfare etc.

We would be happy to discuss this further with you and your team and will help in whatever way we can to provide additional supporting information. We would encourage you to speak to colleagues in Scotland to see how this has been implemented there and what the impacts have been. We can certainly help to facilitate this conversation if required.

Once again for your information I have also sent a copy of this response to Lesley Griffiths, the Cabinet Secretary for the Environment. We understand that you have been in contact with Ms Griffiths regarding this issue.

I have also attached the recent 'State of the Sector' report for community energy in England and Wales to highlight the strength and benefits of the community energy sector. I have also attached detailed information from most of our members on their current business rates and how they will be impacted by the changes. I hope this is helpful to demonstrate the impact more clearly.

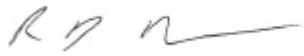
I hope that you will consider our proposal or work with us to look at other options. Once again I look forward to hearing back from you.

---

<sup>4</sup> [https://communityenergyengland.org/files/document/51/1499247266\\_CommunityEnergy-StateoftheSectorReport.pdf](https://communityenergyengland.org/files/document/51/1499247266_CommunityEnergy-StateoftheSectorReport.pdf)

<sup>5</sup> <http://www.assembly.wales/laid%20documents/cr-ld10610/cr-ld10610-e.pdf>

All the best



Robert Proctor  
Business Development Manager  
**Community Energy Wales – Ynni Cymunedol Cymru**

Mark Drakeford AM/AC  
Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol  
Cabinet Secretary for Finance and Local Government



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref MD/00564/17

Robert Proctor

5 September 2017

*Dear Mr Proctor*

Thank you for your letter of 9 August regarding the effects of the non-domestic rates revaluation on community energy projects in Wales.

As previously stated, the Valuation Office Agency (VOA) has sole responsibility for independently assessing the rateable values of non-domestic properties in Wales. The methodology, evidence base and assessment methods used are tailored to each property type and where possible the VOA has agreed these methods with industry representatives. The 2017 revaluation was carried out across all of England and Wales and I cannot comment on the assessment, methodology or processes used, this falls entirely within the remit of the VOA to ensure consistency across every property within England and Wales.

Regarding your proposal that there should be 100% non-domestic rate relief for all community energy projects, the Welsh Government has already acted to provide additional support to non-domestic ratepayers who have been adversely affected by the revaluation, with the extension of the Small Business Rates Relief scheme and the introduction of the Transitional Relief scheme, at a cost of around £120million to the Welsh Government. Whilst I understand your comments on the schemes, they are the most suitable methods of targeting relief to those most in need of assistance and they will benefit the vast majority of your members. Any form of additional support would need to be carefully considered and the expected benefits assessed.

A new permanent Small Business Rates Relief scheme will come into force from April 2018, giving small businesses the certainty they need in order to plan for the future. As part of the development of this scheme, a consultation has been published. This can be found below:

[www.consultations.gov.wales/consultations/delivering-tax-cut-small-businesses-new-small-business-rates-relief-scheme-wales](http://www.consultations.gov.wales/consultations/delivering-tax-cut-small-businesses-new-small-business-rates-relief-scheme-wales)

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400  
[Gohebiaeth.Mark.Drakeford@llyw.cymru](mailto:Gohebiaeth.Mark.Drakeford@llyw.cymru)  
[Correspondence.Mark.Drakeford@gov.wales](mailto:Correspondence.Mark.Drakeford@gov.wales)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

Thank you for presenting the additional information provided by your members, I will ensure my officials share this information with those in the renewable energy branch so this can be considered further as part of the work to take forward the recommendations of the Hydropower Task and Finish Group.

*Ysgrifennydd,*  
*Mark Drakeford*

**Mark Drakeford AM/AC**  
Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol  
Cabinet Secretary for Finance and Local Government

## Appendix 2 – Figures collected from members re: impact of business rates to supplement correspondence between – Mark Drakeford AM and CEW on business rates (Available on file if required)

Community renewables Business Rates Wales completed schemes data from VOA website																			
Scheme	Social enterprise	County	Post Code	Technology	Capacity kW	Previous RV	01/04/2017 RV	Multiplier	Business Rates before Rates	Business Rates after Rates	Current SBRR								
Mynydd y Gwrhyd	Awel Aman Tawe	NPT		Wind	4,700	£94,000	£59,000	49.90%	£29,441	£29,441.00	0.00%								
Abergwaun	TBG	Pembs		Wind	250	£4,050	£8,100	49.90%	£4,042	£1,349.99	66.60%								
Bro Dyfi	BDCR	Powys		Wind	500			49.90%	£0	£0.00									
Salem (CELT2)	CEL	Cardm	Proposed Wind Turbine, Salem, Llandello, SA19 7LY	Wind	800	£10,500	£21,750	49.90%	£10,853	£4,341.30	60.00%								
Bwlchgwyn	CEW	Ceredigion		Wind	900		£15,250	49.90%	£7,610	£3,043.90	60%								
	Small Wind Coop	Ceredigion	Troed y Bryn, Llwynygroes, Tregaron	Wind				49.90%	£0	£0.00									
Penlleger		Swansea		Hydro		£1,450	£2,375	49.90%	£1,185	£0.00	100.00%								
Ogwen		Gwynedd		Hydro	100		£20,250	49.90%	£10,105	£10,104.75	0.00%								
Afon Goch		Gwynedd		Hydro	55			49.90%	£0	£0.00									
Anafon		Gwynedd		Hydro	270	£18,750	£40,000	49.90%	£19,960	£19,960.00	0.00%								
Taff Bargoed		RCT		Hydro	100	£6,350	£18,200	49.90%	£9,082	£9,081.80	0.00%								
Talybont		Powys		Hydro		£2,250	£4,450	49.90%	£2,221	£0.00	100.00%								
Nant y Pigyn	Corwen EC	Denbighshire		Hydro	55	£1,650	£4,000	49.90%	£1,996	£0.00	100.00%								
Cwm Gu	Llangattock Green Valley	Powys		Hydro		£865	£1,800	49.90%	£898	£0.00	100.00%								
	GowerPower	Swansea		Solar				49.90%	£0	£0.00									
	Egni			Solar	179			49.90%	£0	£0.00									
	SCEES	Swansea		Solar				49.90%	£0	£0.00									
Lower Park Farm	Lower Park Farm Coop	Wrexham		AD	245	£3,700	£16,500	49.90%	£8,234	£2,749.99	66.60%								
Total					8,154	£143,565	£211,675		£105,626	£80,073									
<b>Small Business Rates Relief bands</b>																			
RV < £5,000	100.00%																		
£7,000	83.40%																		
£8,000	66.60%																		
£9,000	50.00%																		
£10,000	33.30%																		
£11,000	16.60%																		
>£12,000	0.00%																		

Business rates increase 04 2017																			
Technology	A	B	C	D	E	F	G	H	I	J	K	L	Average	ESTIMATES FOR NEW SCHEMES BASED ON AVERAGE RV					
Hydro	LL48	SA10	LL55	CF40	LL55	LL21	LL55	LL41		LL57				M	N	O	P	Q	
Power		55	50	100	60	100	240	100	90	100	100	270	26						138
MWh																			Power
2010 RV		£3,750	£1,950	£3,300	£4,000	£6,350	£12,100	£6,350	£3,950	£6,350	£6,350	£18,750	£1,450						2010 RV
2017 RV		£8,300	£12,500	£7,950	£14,500	£16,750	£16,500	£17,250	£10,750	£18,200	£31,500	£40,000	£2,375	£16,556	£9,106	£9,106	£39,735	£22,848	2017 RV
% increase		121%	541%	141%	263%	164%	36%	172%	172%	187%	396%	113%	64%						% increase
2017 £/MWh																			2017 £/MWh
2016 £/kW		£68	£39	£33	£67	£64	£50	£64	£44	£64	£64	£69	£56						2016 £/kW
2017 £/kW		£151	£250	£80	£242	£168	£69	£173	£119	£182	£115	£148	£93	£166	£166	£166	£166	£166	2017 £/kW
2017 Multiplier		0.499	0.499	0.499	0.499	0.499	0.499	0.499	0.499	0.499	0.499	0.499	0.499	0.499	0.499	0.499	0.499	0.499	2017 Multiplier
Payable 2017/18		£4,142	£6,238	£3,967	£7,236	£8,358	£8,234	£8,008	£5,364	£9,082	£15,719	£19,960	£1,185	£8,262	£4,544	£4,544	£10,828	£11,401	Payable 2017/18
Payable with SBRR 2017/18		£1,383	£6,238	£1,325	£7,236	£8,358	£8,234	£8,008	£4,474	£9,082	£15,719	£19,960	£0	£8,262	£2,272	£2,272	£10,828	£11,401	Payable with SBRR 2017/18
Payable with SBRR 2016/17		£0	£0	£0	£0	£526	£6,038	£526	£0	£526	£526	£9,156	£0	£2,650	£1,500	£1,500	£5,000	£3,900	Estimate in business plan/feasibility study
SBRR band in 2016/17		100.00%	100.00%	100.00%	100.00%	83.40%	0.00%	83.40%	100.00%	83.40%	83.40%	0.00%	100.00%		0.00%	50.00%	50.00%	0.00%	0.00%
SBRR band in 2017/18		66.60%	0.00%	66.60%	0.00%	0.00%	0.00%	0.00%	16.60%	0.00%	0.00%	0.00%	0.00%		0.00%	50.00%	50.00%	0.00%	0.00%
Transitional rate relief figures																			
25%		£346	£1,559	£331	£1,809	£1,958	£549	£2,020	£1,118	£2,139	£3,798	£2,651	£0						Average
50%		£692	£3,119	£662	£3,618	£3,916	£1,098	£4,041	£2,237	£4,278	£7,596	£5,302	£0						£18,279
75%		£1,037	£4,678	£994	£5,427	£5,874	£1,647	£6,061	£3,355	£6,417	£11,394	£7,953	£0						4.46%
Small Business Rates Relief bands																			
RV < £5,000	100.00%																		
£7,000	83.40%																		
£8,000	66.60%																		
£9,000	50.00%																		
£10,000	33.30%																		
£11,000	16.60%																		
>£12,000	0.00%																		

Community hydro Wales - loss of business rates income & public support to date					
		<b>ESTIMATES FOR PLANNED SCHEMES BASED ON AVERAGE PRE 01/04/17 RV £/kW FOR SAMPLE OF EXISTING SCHEMES</b>			
<b>Scheme</b>		<b>A</b>	<b>B</b>	<b>C</b>	
Capacity kW		100	237	138	
RV £/kW pre 01/04/17 (estimated average)		£57	£57	£57	
2017 RV (estimate)		£5,700	£13,509	£7,866	
2017 Multiplier		49.90%	49.90%	49.90%	
Payable 2017/18		£2,844	£6,741	£3,925	
Payable with current SBRR		0	£6,741	£1,311	£8,052
Estimate of total business rates payable over 20 years		£0	£134,820	£26,220	£161,040
Public grant support to date		£0	£6,030	£7,772	
			£11,534	£792	
				£7,772	
Total		£0	£17,564	£16,336	£33,900
					£41,952
<b>Small Business Rates Relief bands</b>					
RV < £6,000	100.00%				
£7,000	83.40%				
£8,000	66.60%				
£9,000	50.00%				
£10,000	33.30%				
£11,000	16.60%				
>£12,000	0.00%				



## **Briefing Paper on Community Sustainable Energy for the Climate Change, Environment and Rural Affairs Committee of the National Assembly for Wales.**

**November 2017**

### **Background to this paper:**

This paper has been prepared by Community Energy in Pembrokeshire, a Community Interest Company whose aims are to provide umbrella support for community led sustainable energy schemes both by direct development of schemes and adding capacity to local groups. Two key member organisations, Cwm Arian Renewable Energy (CARE), and Transition Bro Gwaun (TBG) have contributed comments. These organisations represent the Pembrokeshire projects that have gained planning consent to date with support from Ynni'r Fro and Ynni Lleol.

The paper's lead author is Ben Ferguson, who has multiple roles in the sector. Ben has been a Development Officer for the Ynni'r Fro and Ynni Lleol schemes since their inception in 2010. He was a founder member and Director of Carmarthenshire Energy Limited until that organisation (a BenCom) successfully built a 500kW wind turbine scheme under community ownership in Salem, Llandeilo in 2016. He is a Director and founder member of CEP. As a Development Officer he has been supported in these roles with recognition that capacity shortfall is a serious barrier to the community energy sector. Nonetheless all comments in this paper are submitted in CEP's name and should not be attributed to Ben Ferguson's role as a Local Energy Development Officer or as the opinion of Energy Saving Trust or the Local Energy Service.

### **Recent progress of community energy in Wales**

In Pembrokeshire, one community energy scheme has been delivered under the Ynni'r Fro support programme. This is a 250kW wind turbine at Fishguard owned in 50% joint venture between Transition Bro Gwaun and a local farm.

Numerous projects were proposed across the county from 2010, but only two other projects have gained planning consent. These were a wind turbine for CARE at Llanfyrnach (originally proposed as 2 turbines at 1.2MW each, consented as a single turbine at 500kW) and a wind turbine for CEP at East Williamston (originally envisaged at 500kW but has now secured Active Network Management from the DNO up to 900kW).

All three projects were refused consent locally, in some cases in spite of significant support from the host community. All three ultimately won consent at appeal.

The two consented projects were financially profitable at the time of application to the LPA. However the delays caused by the appeal processes in each case coincided with the severe FIT cuts imposed by Westminster Government in Autumn 2015. This initially rendered the projects unable to secure finance. Solutions are being sought with measures such as deployment of used turbines, and more sympathetic finance offers from the Development Bank of Wales. Nonetheless both remain marginal and are unlikely to generate significant cash benefits for the local community after all.



Under the 2 years of the Ynni Lleol programme, and since the FIT cuts, significant progress has been made towards developing projects which are place-based, and will look to business models that connect generation, supply and purchase within the context of a distributed network. These projects respond to the need to develop a SMART grid network and complementary SMART markets, and will be more sustainable.

In Pembrokeshire, the following projects are seeking to develop local supply and demand networks with existing and new distributed renewable generation:

- Fishguard (TBG 10MW tidal energy project supplying onshore local markets)
- Fishguard (TBG microgrid project currently invited to business planning for WEFO funding under the Small Scale Renewables Theme)
- Tavernspite Zero Carbon Village ( CEP supported, balancing seasonal caravan park and local dwelling winter heat energy demands)
- Llanteg Park (CEP supported, 39 dwellings seeking to develop microgrid)
- Milford Haven / Hubberson / Hakin (CEP partnership with Milford Haven Port Authority & Capeston Organic Farm, developing community owned Anaerobic Digestion to balance a solar pv farm and microgrid to Milford Haven Waterfront)
- St Davids (CEP supported 10MW tidal energy project supplying onshore energy markets)
- CARE wind turbine seeking to deliver local supply and support local haulage firm in converting to hydrogen fuel cell drive train
- CEP 900kW wind turbine at Prouts Park East Williamston ( potential for local supply model)

All of these projects are confronted with capacity constraints, and without persistent and probably increased financial support, the community will not be able to realise them.

Across Wales, some strategic social enterprises are forming, which at their best, using examples such as The Green Valleys hydro (<http://www.tgvhydro.co.uk/>) signal the wider benefits of developing supply chain within Wales. However most groups remain hobbled by lack of capacity or the failure to secure projects during the “fat” years of feed in tariff. Local developers friendly to the community sector such as Seren Energy have brought a number of wind projects to community groups, but are unlikely themselves to survive the current drought in the onshore wind market. Future support should be sufficiently broad to develop a social enterprise sector, in partnership with our education sector, capturing these wider IP, supply chain and system management markets.

We also note that post-Brexit means post-WEFO. WEFO funds have been a significant contributor to the Ynni'r Fro Programme, but in this round are being delivered by WEFO direct to communities via a call for expressions of interest carried out earlier this year. Feedback from that call and from the groups currently invited to the business planning stage indicate some shortfall in understanding of the basic principles of how energy systems work, or a failure to access external resources to advise on this. There is also limited understanding of the shortage of capacity for communities to undertake the business planning process for WEFO. For community groups it is perplexing to be engaged in support services from WEFO and Local Energy which do not appear to have a consensus on what a good project looks like and how a community should be supported to deliver it.

Finally on this area, it should be noted that the Feed in Tariff and Renewable Heat Incentive schemes have suffered from some perverse incentivisation with regard to energy efficiency, and tend to separate energy efficiency from renewable energy generation. In the current conditions,



more joined up working is incentivised, looking to minimise impacts on grid infrastructure with balanced local markets, with energy saving as a key contributor.

However resources have been diminishing in this area, with the loss of organisations such as ECO Centre Wales, and the closure of the Resource Efficient Wales Programme. Greater community participation, meeting energy efficiency, behaviour change and smart meter rollout will necessitate deeper and more consistent market /community engagement, and new programmes will need to recognise the resource impact of delivering more complex projects.

### **Examples of good practice and innovation in Wales and beyond**

- TBG – Abergwaun Community Turbine Ltd – currently included in evidence gathered by WG towards call for evidence on meeting community energy targets
- Private sector partnership value (Seren Energy sharing development risks with CEL, Granell, Llanfyrnach, Bwlchgwynt, East Williamston)
- TBG tidal – partnership approach, SEACAMS involvement from early stage, Marine Energy Wales support, Stena, SDF, LEADER
- <http://www.gowerpower.coop/> Community Supported Agriculture, Renewable Energy and projects addressing biodiversity loss.
- <http://www.ynniteg.cymru/> YnNi Teg is a new Welsh community energy project with a newly commissioned 900kw wind turbine near Carmarthen.

### **Views on how Wales' target of generating 1GW from locally owned energy by 2030 can best be achieved**

The first point of clarification here is on how community energy is to be defined and valued, and why that value should lever a particular kind of support.

In terms of the driver of climate change, it is clear that the technology exists to decarbonise our societies. The market is developing momentum, indicating that policy drivers for sustainable energy in itself are becoming less relevant than they were. From a climate change perspective the outstanding question is whether global decarbonisation will be achieved in time to avoid significant temperature increases, and this is where policy drivers need to be strengthened.

In terms of economic drivers, it is less clear that the market is ready to adapt to distributed energy markets. Technology is delivering solutions at all scales, and the community sector is potentially caught here between private householders as energy entrepreneurs, and private sector companies with the potential to emerge alongside, or replace, the existing “big six” model. This is where the targets set are of real value.

The fact that renewable generation is possible, in one form or another, almost everywhere, means that expanding community ownership, as well as domestic scale projects, presents a significant opportunity to counter the centralisation of wealth that has blighted so many rural economies for generations, a trend now much accelerated by global marketing.



Communities have a unique potential to develop place based energy markets with sufficient diversity of supply and demand to co-exist within a national / international electrical grid while maximising local economic benefit and minimising pressure on grid infrastructure.

Furthermore, with our farming industry suffering considerably from fluctuating markets globally and within Europe, and with further uncertainty presented by Brexit, distributed energy generation and local markets offer a potentially long term and stable element to local economies where landowners can benefit from a balanced yield of natural resources as food, as energy, and in the form of ecosystem services (for example where Anaerobic Digestion can be deployed to manage on-farm waste streams in Nitrogen Vulnerable Zones), and/or from rental income from a local social enterprise operating renewables on their land.

Local Authorities should also be recognised and supported in delivering a key role. Welsh Government has made support programmes available along with opportunities to invest equity in local energy, but this has so far failed to stimulate substantial action: Further consultation may be helpful in meeting the barrier faced by Local Authorities in taking this action in partnership with communities.

Local energy can deliver a more resilient and equitable energy economy with the potential to eliminate persistent social ills such as fuel poverty, achieving improved social, health, educational and general wellbeing. It is essential that target delivery mechanisms and definitions perceive and remain focussed on these benefits as the key reason for supporting communities as a specific sector, with unique needs and benefits.

1. Continue to find additional resource to support local communities to lead projects – including project skills, volunteers, training, information dissemination (esp to Community and Town Councils)
2. Find ways to ensure Local Authorities and Communities work in partnership towards shared goals rather than competing or simply opposing one another. Foster an atmosphere in which Local Government and communities (and the private sector) recognise their interests as more common than not. Currently, two services, Local Energy and Local Partnerships, deliver separate support to Local Authorities and Communities, which does not foster such cooperation.
3. Invest money in risk at development stage (more than presently delivered under Ynni Lleol)
4. When assessing value for money, establish clear mechanisms for recognising wider benefits – be they secondary and tertiary financial benefits such as IP, supply chain, jobs, reduced local energy costs, reduced pressure on infrastructure and services, or wider cultural and social benefits meeting objectives such as the Wellbeing of Future Generations Act. Seek methodologies for evidencing this for example from New Economics Foundation etc. and build them into the expectations of any support you provide
5. Make flexible capital finance and grant investment based on the whole potential benefits stated in 4 above, not on a narrow, single bottom line model
6. Ensure that the end of WEFO activities does not signal a reduction in the levels of financial support available to community projects – the Scottish Government Challenge Funds are a good model to look to here
7. Foster closer working at WG level and within WG directed bodies such as NRW, across environment, business and innovation departments
8. Get proper clarity on planning consent, and put communities in a strong position, for example with permissive development status or planning orders

## Barriers to the development of community energy projects

- Planning consent – covered at length below
- Capacity – there are simply not enough people on the ground with the time to develop the skills needed. These skills run from the basics of organisational development through to governance suitable to deal with substantial financial sums, through to the complexities of procuring and delivering work in a very complex field. We need investment in volunteering, training and development with a view to providing a growing workforce to meet the needs of a new distributed energy economy
- Money at risk – less of this will be needed depending on how well the two points above are met – but the fact remains that new projects will remain innovative and complex, and money needs to be invested in feasibility for distributed energy systems at a higher level of intervention and risk than was the case when seeking to develop projects in mature industries such as wind, in a secure financing climate such as provided by FIT
- Flexible capital investment – high interest, short term loans will not work to grow a new energy economy based on substantial up front infrastructure investments that will pay back through local markets over long periods. These projects will be sustainable in the long term, but will not achieve that sustainability on a 7 year cycle. The range considered should be more like 10-25 years
- Cost of market engagement and administrative burdens of establishing local energy trading schemes so that energy customers can benefit financially from local projects, even if they are not investors. Distributed networks will hopefully facilitate this.

## Support provided by the Welsh Government through its Local Energy Service

*Local Energy commenced as the daughter programme to Ynni'r Fro in January 2016. The comments below are verbatim from feedback from CARE, without contribution or editing by Ben Ferguson.*

Support from Ynni'r Fro to CARE was invaluable throughout the development of our wind turbine project, and that from Ynni Lleol continues to be so. The scheme empowered us as inexperienced community volunteers, to become more knowledgeable and to keep ownership of the project. The specialist knowledge, and enthusiasm of our Development Officers continues to be a huge help, and we really couldn't have done without it. Indeed, we couldn't continue without it as the financial, technical and legislative barriers continue to make it very challenging for community groups to get projects off the ground.

There have been challenges with our engagement with Ynni'r Fro and Ynni Lleol along the way – we often felt that there was more work than even our DO could manage and that their portfolios of projects were too large for them to keep the positive momentum going.

We felt that the communication between Ynni Lleol officers and WG has not been clear – where the fault for this lies, we don't know. But everyone seems to have been frustrated by the discrepancy between positive policy and guidance coming from above and the understanding and willingness of local authorities to engage with the concept of community renewables.



We can only assume that communication or will has failed somewhere along the line. That said, we did feel that our Dos, especially near the beginning, were very proactive in feeding back to WG...but it feels like little changed

We have noticed a decline in the time available to us from Ynni Lleol Dos latterly, and are not sure whether this is because of the status of our project or because there is less time available to all projects or because of relationships between individuals. Overall there is still a definite willingness of Dos to work with our project though, and the moral and financial support of the scheme is currently the only thing external to our committee's own grit and determination, that is really keeping our project running.

### **How the planning process can facilitate developments, and to what extent priority is given to local and community owned projects**

The planning process has potential to facilitate developments inasmuch as it provides a process for ensuring compliance of any proposal with key planning needs, some of which contribute towards ensuring the technical viability of the construction and operation of any project

However, the delivery of the planning process has presented significant barriers to the projects developed by communities in Pembrokeshire in the following ways:

1. Local Authority Officers in Pembrokeshire have on the whole dismissed the proposal that community ownership or any of the associated financial and wider benefits associated with schemes of the type can be given any weight in the planning process. On the contrary they tend to re-affirm that the planning decision is made on the proposal and not the applicant
2. Wind turbine developments, given their association with small minorities of vocal objectors, have been disproportionately vulnerable to refusal on grounds of visual impact. In a wind turbine development, all material facts such as noise, ecology, access etc are of a fundamentally binary nature – either the scheme meets the requirement, or it does not. In contrast, visual impact is fundamentally a subjective matter, hence particularly open to abuse as a reason for referral whether put forward by private objectors, members of local government (whether members of the Planning & Rights of Way Committee or not). Planning officers may or may not have strong private opinions on the subject, and are compelled to present a fundamentally subjective matter as though it were being dealt with by an objective methodology. This is a significant flaw in the process.
3. On being refused consent, and going to both lost and won appeals, communities have flagged these issues to Welsh Govt. WG planners have consistently refuted that there is any shortfall of clarity between WG and LPAs on the policy issues. The evidence shows this is patently not the case and that individual Welsh Govt Inspectors, WG Planners and LPAs are on substantially different pages on these matters.
4. Given the confusion, the status of community ownership appears to some to have constituted not a benefit but a handicap within the planning system. The nature of WG support encourages groups to consult more widely and sympathetically with communities, and to put additional effort into developing community benefit evidence, reporting and



distribution policies which are additional burdens on capacity. This also has the effect of exposing community volunteers as individuals, as well as projects in themselves, to local criticism and opposition. Without better resourcing this has the potential to create more division than a standard commercial approach to development.

5. No evidence to date has been gathered to compare the attrition rate of community versus commercial projects at planning consent in Wales during the 2010-2015 period. However, the briefest observation of the landscape indicates substantial successes on the part of the private sector, with minimal results for communities.
6. The financial consequence of the refusals in Pembrokeshire in the 2010-2015 period as standing today are:
  - a. Approximately £131k of WG money spent through Ynni'r Fro grants, of which approximately £97k is attributed to projects struggling to get finance due to the feed in tariff reductions and likely to be built with lower than anticipated returns and under alternative models (e.g. local supply, refurbished turbines)
  - b. The potential for approximately £6m in operational surpluses via FIT payments, in the hands of local communities planning to support their local economies, tackle fuel poverty, and deliver more decarbonisation, has been lost

## Cyd Ynni – who we are

1 Cyd Ynni is a consortium of five community energy groups established in 2016 who share commitments to the harnessing of local natural resources to generate renewable energy to enhance and develop our communities. The Cyd Ynni members are:

Cyd Ynni member	Active generation	In development
Ynni Anafon	270 kW hydro - Dec 2015	Direct sale to local distillery
Ynni Ogwen	100 kW hydro - June 2017	Hydro + Energy Local Club
Ynni Padarn Peris	55 kW hydro - June 2017	Solar & hydro
Ffarm Moelyci	No	Solar & biomass
Ynni'r Ocar	No	239 kW hydro + direct sale to local industry

2 Current Cyd Ynni projects:

- Energy Local Club trial in Bethesda based on the Afon Berthan hydro (National Trust) to sell power directly to domestic consumers
- Big Lottery project (£240,000) to provide 1.5 FTE staff to provide Development officer to support progression of additional Cyd Ynni member renewable energy schemes and a part time officer to assist in development and management of the Energy Local Clubs and energy awareness, especially to tackle fuel poverty.

3 The ambition of Cyd Ynni members is not just to produce renewable energy but to harness the revenues and good will of the hundreds who have invested in our hydros and joined the Energy Local Club to develop, monitor and foster further awareness of sustainability issues in our communities. We see our initial hydros as the basis for wider, far reaching projects to develop our communities, build the economy and enhance our local environment.

4 This submission is drawn from the collective experience of the Cyd Ynni members.

## Recent progress of Community Energy in Wales

5 Cyd Ynni experience of community energy reaches back to pre-FIT days and includes schemes which are generating and those which are still in feasibility stage. Early on it was difficult to source funding for feasibility studies, good examples were all in Scotland, available support was inexperienced and financing was problematic. It was in this environment that Ynni Anafon blazed a trail to become one of the first community hydros in north Wales. Ynni Ogwen and Ynni Padarn Peris both benefitted from grant and advisory support designed to support community energy and attractive FITs. In the last year the groups with schemes in development are struggling to come to terms with continual uncertainty with availability of grants and advisory support, more challenging financial times and generally having to plan for a post-FIT scenario. The successes within Cyd Ynni amply demonstrates that the community energy model is well supported with a £1.3 million investment in the three completed schemes raised from hundreds of people purchasing community shares with ~80-90% living within the local area. Having generating hydros means that Cyd Ynni members are looking to the next stage which is the distribution of profits and optimisation of the sale of power to provide additional community benefits (see table above).



6 Community energy is not easy – but possible with the right support, is well received by local people, opens up a wide range of possibilities and empowers communities.

### Examples of good practice and innovation in Wales and beyond

7 We hope that what we have done individually and collectively are examples of good practice! Certainly, we have been, are and wish to continue to be innovators and pioneers of community energy in Wales.

### Barriers to the development of community energy projects

8 All the Cyd Ynni members have had to negotiate over and around many hurdles - what follows is a summary of our experience.

#### **Capacity of volunteers**

9 Community energy projects are generally developed by volunteers drawn from the local community. Many of these people have day-jobs and find it difficult to find the time to learn the intricacies of engineering specification, energy pricing, financial modelling etc. in order to comprehend long and complex procedures and documents. It can also difficult to call people and attend meetings during normal working hours. In small communities sourcing all the various skills from volunteers can prove impossible. It also inevitably falls to a small number of volunteers to take projects forward and often that only people who had capacity to get involved were those who were retired as at busiest times it was a full-time job! Over-reliance on these volunteers often follows and planning for 'succession' so they can hand off to new, young people is an emerging concern for many groups. Lack of capacity in terms of time and skills is a huge issue for all groups.

10 With the recognition that volunteer capacity is a significant barrier to the development of further hydro in our area, Cyd Ynni has recently applied for and been awarded a £250,000 Lottery grant which (among other things) will provide a full time Development officer post to support the development of new community energy schemes in our area. We are also thinking about sustainability of support and are hoping to build a business plan for Cyd Ynni to make support less reliant on grants.

#### **Uncertainty in provision of advisory support**

11 The Development Officers provided by the Ynni'r Fro/Ynni Lleol projects have been invaluable in providing advice, checking quotes, proof-reading grant submissions and generally encouraging and support the volunteers. Early support from the Ynni'r Fro programme was targeted at larger schemes (> 250 kW) and was unavailable to smaller community energy schemes. This was addressed in Ynni Lleol when this threshold was lowered and for a few years this worked well. However, over the past two years we have lived under the constant threat that this support was coming to an end – in March 2016 and again in 2017. It seems we now have yet another reprieve. This insecurity is not at all helpful when the fastest progression of a Cyd Ynni member from project inception to generating was three+ years and the longest is just about to submit for consenting after 14 years.

12 Peer-mentoring available through Renew Wales which has also suffered from stop-start availability. This closed earlier this year but we hear is due to recommence in 2018.

13 Support from the Wales Co-op Centre, once the go-to place for help with setting up a social enterprise, has also been retracted and is no longer available as energy schemes do not provide immediate or direct jobs which is their new focus.

14 For advisory support to give volunteers the confidence they will get good, sympathetic advice it needs to be dependable and available over several years. The number of advisors also needs to be scaled to anticipated demand – at the height of interest in community energy schemes it was difficult to obtain sufficient time from the advisors to progress projects at a sensible rate.

### **Negotiating with regulators**

15 Regulation is required and must be applied equally to all applicants – however, Cyd Ynni members have experienced significant barriers to their schemes which apparently relate to either a lack of capacity or sympathy within regulatory bodies. In particular, the length of time taken to negotiate with NRW was a problem for Ynni Ogwen. In this case pre-application negotiations lasted a year leading to a formal application for the license in May 2015. NRW then failed to issue the licence until Jan 2016 which was way beyond the four-month limit noted in their Statutory guidelines. This meant that they missed the pre-accreditation deadline for FITs, lost revenue and had to re-work their financial projections.

### **Financing scheme development**

16 Each Cyd Ynni member used a range of grants to fund the development of a viable scheme through pre-feasibility, feasibility, planning, financing etc. before the scheme is ready for loans and share offers. In the early days grants were available from private funders such as the Waterloo Foundation but these have been withdrawn as community energy became more mainstream and grants became available from the government. These grants e.g. those from Welsh Government administered by the Energy Saving Trust were invaluable in the development of Ynni Ogwen. Most community groups have to buy in expertise to help them develop schemes, conduct feasibility studies, impact assessments, ecological studies etc. Grant support for scheme development needs to continue.

### **Design of incentives**

17 The artificial thresholds of the FITs (especially the 100 kW step in FIT rates) distorts decision-making and potentially reduces generating capacity. The scale of a scheme should be optimised by the potential of the site and environmental constraints and not reduced simply to maximise returns on the FIT incentive. Surely the incentive should seek to optimise generating capacity and the way in which it puts a ceiling on capacity is perverse?

18 The threat of depressions on FITs has also lead to uncertainty, pressure to proceed quickly which can result in poor decision-making and schemes failing simply because a FIT deadline was missed. FITs are a time-bound incentive which make up for low grid prices and prevent the use of capital grants.

19 It can be argued that dependency on a FIT-based financing model has held back the development of local sales where it is possible to negotiate better prices and the use of grants to develop community energy schemes. A better and more focussed incentive for community energy might be just around the corner with the Energy Local model for a local market for power which if coupled with a community energy asset development grant or bond could replace FITs.

20 Green bonds for community energy are perhaps something which could be used to capitalise community energy schemes. The Robert Owen Bank does operate a revolving fund but this is in effect a bridging loan capped at £90k and applies variable and occasionally very high interest rates (write off for failed scheme but up to 25% for a scheme judged to be low risk). A bond which could provide larger sums, over longer periods at low interest rates to capitalise build would complement community shares as a means of financing new schemes. Indeed, we see there is significant potential for innovation in the application of community shares and bonds within the consortium. Years back, there was a discussion about the possibility of issuing a national renewable energy bond and its potential - at a UK level - to be a significant wealth creator. Might it be a good time to revisit these ideas as is being proposed in Scotland<sup>1</sup>? Perhaps WG could establish a community energy bond for Wales?

### **Stability in support frameworks**

21 New schemes take years to develop – the majority take 3+ years to realise. A year for the group (once they've come together) to work out the business, another year to fine tune the scheme, and another year to raise funds and build. Unfortunately, the policy and support climate changes on a much quicker scale than this. The instability created by changing support coupled with the moving goal posts on FITs and unanticipated changes in rates mean that groups are unable to move forward with any confidence and drawing up a business plan is nigh on impossible.<sup>2</sup>

### **Business Rates for hydro**

22 We are still waiting to see how this will impact on Cyd Ynni member with larger installations.

### **Grid constraints**

23 The grid is full in many parts of rural Wales, upgrades are required before more generation can be connected. In Wales community projects have either been constrained or abandoned due to grid constraints. For example, the Ynni Anafon scheme had the potential to deliver a capacity of 500kW but was constrained to 270kW. Perhaps WG could look at infrastructure support to help Local Network Providers to reduce the cost of grid connections for remote installations with good generating potential (in a similar way that funding has been provided to roll out superfast broadband).

1

<sup>1</sup> See <http://www.gov.scot/Publications/2017/01/3414/7> and <https://www.scottishrenewables.com/publications/scottish-renewable-energy-bond-discussion/>

<sup>2</sup> For the perspective from Ynni Padarn Peris see <http://www.iwa.wales/click/2017/07/taith-ynni-padarn-peris-ynni-padarn-peris-journey/>

## Views on how Wales' target of generating 1GW from locally owned energy by 2030 can best be achieved

24 Most of our suggestions are in the section above – in summary we can see that the following actions would greatly assist Cyd Ynni members and neighbouring communities to develop their own community energy schemes:

25 Support development of schemes by volunteer-led community groups to include:

- Continuation of advisory support for community energy schemes
- Provision of call-down for professional services in scheme development to address gaps in capacity
- Continuing provision of grants to fund specialist studies required for scheme development
- Funding for secondments so working-age volunteers can free up sufficient time to contribute fully to scheme development
- Commission review of volunteer motivations to highlight recruitment of new volunteers to secure succession in group leaders
- Recognition that this is a long-term process which is not well served by stop-start projects

26 Create stability in support and incentives

27 Address capacity issues in grid connections

- Cover costs of grid strengthening

28 Provision of low cost financing options for community energy schemes

- Provision of asset creation grants (if asset transfer can be funded why not also fund asset creation?)
- Facilitate development of a community energy bond that could be used for energy generation schemes and other community investment

29 Speed up regulatory processes

- Hold regulators to obligations to meet timelines on decisions – recognise that this may be a capacity issue in NRW and fund accordingly

## Support provided by the Welsh Government through its Local Energy Service

30 See above –Both the Development officers and grants are highly valued and have been invaluable to Cyd Ynni members success. The only problem has been uncertainty in the continuation of this provision. Please continue with this scheme.

[2261 words]

Climate Change, Environment and Rural Affairs Committee  
**Inquiry into community energy in Wales – Cyd Ynni response**

Submission prepared by:

Jenny Wong – Ynni'r Ocar  
Meleri Davies – Ynni Ogwen  
Paula Roberts – Ynni Padarn Peris  
Colin Keyse – Ffarm Moelyci  
Hywel Thomas – Ynni Anafon

30 November 2017

The content represents the personal contributions of the authors.

Lesley Griffiths AM  
Cabinet Secretary for Environment and Rural Affairs  
Welsh Government

16 October 2017

Dear Lesley,

**Branching Out: a new ambition for woodland policies**

Thank you for your response to the Committee's report. I am grateful for the way you engaged the Committee during the course of this inquiry.

Although the Committee felt that your response was generally positive, members agreed that I should write to you to seek further information on several matters you raise in your response.

**Recommendation 1:** The Welsh Government must, as a matter of urgency, refresh its woodland strategy with the aim of significantly increasing planting rates. The refreshed strategy must include long term targets for woodland cover and must incorporate commercial forestry.

***Welsh Government response: Accept in Principle***

The Committee is pleased that this recommendation has been accepted in principle and that there will be a review of the strategy in 2018. However, one of the key messages in our report was the severe lack of new woodland creation in Wales. It is extremely unlikely that the Welsh Government will meet its target of 100,000ha of new woodland creation for 2010-2030 without a fundamental change in approach.

In the first 6 years to which this target applies (2010-16), Wales created just 3,500ha of new woodland. To meet your target of 100,000ha of new woodland creation, Wales will need to create 96,500ha during the last 14 years of the scheme. Continuing in the same vein is not an option.

What do you intend to do differently to address the significant planting shortfall you face?



**Recommendation 2:** The Welsh Government must address the barriers to increasing planting, in particular by:

- Aligning the regulatory and funding processes, and providing additional guidance and support to applicants.
- Examining the potential for adopting a presumption of approval for applications in areas identified by the Woodland Opportunities Map as having a high suitability for woodland.
- Making the Woodland Opportunities Map more user-friendly to a range of different user groups, and linking it in with the land use planning system.

**Welsh Government response: Accept in Principle**

In your response, you state that the Welsh Government is working closely with NRW to improve alignment of regulatory processes, in particular, the Environmental Impact Assessment (Forestry) (England and Wales) Regulations 1999 (as amended) with the Glastir Woodland Creation application process, to facilitate the successful progression of woodland creation proposals. Please provide details of any assessment you have made of the impact this work will have on improving planting rates. Could you also tell us when this work, and the work on improving the application process, will be completed?

Your response indicates that you are aiming to use the Woodland Opportunities Map to provide applicants with more certainty about whether a proposal is likely to be approved. Could you provide the Committee with further information on this work, including when it will be completed, and details of any assessments you have made of the impact it will have on increasing planting rates?

The Committee recommended that there should be a presumption of approval for applications in areas identified by the Map as having a high suitability for woodland. Please provide the Committee with details of any assessment you have made of the potential benefits or risks arising from this approach.

**Recommendation 3:** The Welsh Government must specify how it will use trees and woodlands as a nature-based solution to flooding, and facilitate expansion of the Woodland Carbon Code.

**Welsh Government response: Accept in Principle**

Please provide further detail of the actions you are taking, or are intending to take, to expand use of the Woodland Carbon Code and addressing barriers to uptake.



In your response, you say that you will consider whether registration with the Code should be a requirement in certain circumstances. The Committee would be grateful for an update on your latest thinking on this issue.

**Recommendation 4:** The Welsh Government must commit to ensuring a minimum of 20% urban tree canopy cover, to be addressed through Local Well-being Plans and Area Statements.

**Welsh Government response: Decline**

The Committee is disappointed that this recommendation has been rejected. Setting an *overall* target for urban canopy cover in Wales would not impinge on local decision making and would serve as a useful tool to drive forward work in this area. This approach would be consistent with that taken by Welsh Government in many policy areas. Indeed, you have introduced an overall target for woodland creation in Wales. In response to this letter, can you consider whether you would be prepared to introduce such an overall target for urban canopy cover?

You go on to state that you consider that some form of location-specific indicator of achievement should be available to those drawing up Local Well-being Plans. Please provide an estimate of when this work will be completed and further information on how the indicator is being developed.

**Recommendation 5:** Woodlands can be an effective tool for regeneration and engaging local communities. The Welsh Government must harness this and, as a starting point, should:

- Increase support to community woodland groups.
- Assess the potential of developing a National Forest Company to help regenerate the south Wales valleys.
- Ensure that woodland education is incorporated into education policies.

**Welsh Government response: Accept in Principle**

In relation to funding for community groups, your response says that the priorities for future funding will align more closely with the priorities of the Natural Resources Policy. Can you provide the Committee with an assessment you have made of the impact this may have on support for community woodland groups?

Please provide the Committee with an update on the work to explore the development of a Valleys Landscape Park.





**Recommendation 6:** The Welsh Government must extend and better manage access to public woodlands, especially for marginalised groups. NRW should examine options for recovering costs from user groups for certain recreational activities in the woodlands it manages.

**Welsh Government response: Accept in Principle**

In your response, you say that you have reservations about charging for recreational activities because of the potential barrier, especially for marginalised groups.

The Committee was careful in its use of language and did not recommend charging for use. Recovering costs, perhaps through licensing, from user groups engaging in specified activities in certain areas, such as noisy or high-speed activities, would reduce illegal use of woodlands elsewhere. Please provide the Committee with any assessment you have made of the potential impact of this approach and the evidence that supports your decision not to pursue this proposal.

**Recommendation 7:** The Welsh Government should clarify its timetable for bringing forward proposals on access reform.

**Welsh Government response: Accept in Principle**

The Committee accepts that it may not be possible at this stage to give a detailed timetable for the next steps, but we would welcome an indication from you of the broad milestones for this work.

Given that the Sustainable Management of Natural Resources consultation closed on 30 September, we would be grateful if you could provide an oral update on the details of the next steps during the debate on the Committee report.

**Recommendation 8:** The Welsh Government must address the constraints on the commercial forestry sector, in particular by:

- Facilitating coniferous woodland creation and commercial operations on both public and private land.
- Promoting to the farming community the commercial and other benefits of planting trees on agricultural land, and enabling farmers to do this through additional, simple and flexible grant payments.
- Providing and promoting training in forestry, woodland management and woodland planning.

**Welsh Government response: Accept**



Could you provide details of any assessment you have made of the impact of the work of the Co-operative Forest Planning scheme?

In your response, you say that “forest industries must also do more to work collaboratively with landowners, NRW and regulators to make the investments on which their industry relies. The scale of investment required to meet future needs is significant and public and private sectors will need to work together to make it happen.” Can you provide details of any actions you are taking to advance this issue?

Can you provide details of any specific work that has been undertaken by the Welsh Government to promote to the farming community the commercial and other benefits of planting trees on agricultural land?

Training and the promotion of training was a key issue for stakeholders who contributed to the inquiry. Are you satisfied that the actions you outlined in your response are sufficient to address those concerns?

**Recommendation 9:** The potential for growth in the commercial forestry sector should be actively supported by Welsh Government. In particular it should:

- Agree with the forestry sector ambitious targets for Wales to become increasingly self-sufficient in timber production and less reliant on imports.
- Consider changing the building regulations to promote the use of timber in construction.

**Welsh Government response: *Accept in Principle***

Your response says that you are working with the construction industry to increase the use of timber in construction. You say that “early evidence” indicates that changing custom and practice and procurement practices offer greater scope to see progress, compared to changing building regulations or planning guidance. The Committee would be grateful if you could share this evidence with us.

Could you also provide the Committee with any assessment you have made of the potential impact of your preferred approach and set out the actions you will take to encourage the changes in custom and practice and procurement practices to which you refer?

**Recommendation 10:** The Welsh Government should reintroduce the Glastir Woodland Management Scheme and ensure that planting meets the UK Woodland Assurance Standard.

**Welsh Government response: *Accept in Principle***



Could you provide the Committee with an update on your progress in exploring opportunities to re-prioritise resources to allow for the limited opening of the Glastir Woodland Management Scheme?

**Recommendation 11:** The Welsh Government must work with stakeholders to ensure its tree health strategy demonstrates the lessons learnt from the outbreaks of Ash Dieback and Larch Disease.

**Welsh Government response:** *Accept*

Can you provide the Committee with an estimate of when the review of the functions and membership of the Tree and Plant Health Steering Group will be completed? The Committee would be grateful if you could inform us of the outcomes of that review once it is complete.

**Recommendation 12:** The Welsh Government must improve delivery of the Woodlands for Wales strategy, in particular by:

- Addressing the barriers to woodland creation as a matter of urgency.
- Revising the strategy by early 2018, and specifying how it will support and be supported by the Well-being of Future Generations (Wales) Act 2015, the Environment (Wales) Act 2016, and the Natural Resources Policy.
- Improving the transparency and power of Woodland Strategy Advisory Panel to drive the strategy forwards.

**Welsh Government response:** *Accept in Principle*

Your response does not address the final part of the Committee's recommendation. Given that your response states that the advisory panel's role is to support the Welsh Ministers' development of forestry policy, do you have any plans to address the concerns raised by stakeholders during the inquiry about a lack of transparency and clarity about the panel's role and work?

**Recommendation 13:** As recommended in the Committee's report on the future of land management in Wales, the Welsh Government must ensure that future funding should be based on sustainable outcomes. This approach could be supported by innovative methods such as Payments for Ecosystem Services and pension fund investment in green infrastructure.

**Welsh Government response:** *Accept*

The Committee would be grateful if you could share the final report of the Glastir Monitoring and Evaluation Programme as soon as it is available.



The Committee has asked the Business Committee to schedule a Plenary debate on the Committee's report on 13 December. I would be grateful if you could respond to this letter by 27 November, so that your response can inform the Plenary debate.

Yours sincerely,

A handwritten signature in black ink that reads "Mike Hedges". The signature is written in a cursive, flowing style.

**Mike Hedges AM**

**Chair of Climate Change, Rural Affairs and Environment Committee**





Ein cyf/Our ref: MA-P/HB/4222/17

Mike Hedges, AM  
Chair of Climate Change, Rural Affairs and Environment  
Committee

23 November 2017

Dear Mike,

**Branching Out: a new ambition for woodland policies**

Thank you for your letter to Lesley Griffiths dated 16 October 2017 in which you seek further information on several matters in relation to the Welsh Government's response to your report of the inquiry, *Branching Out*. Responsibility for forestry has now passed to me which is why I am replying. I note that the Business Committee has scheduled a Plenary debate about the report. Therefore, I feel it will be more appropriate for your additional questions to be considered during the debate.

I trust you agree this proposal will be a more constructive basis on which to take forward discussions.

Yours sincerely,

Hannah Blythyn AC/AM  
Gweinidog yr Amgylchedd  
Minister for Environment

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

[Gohebiaeth.Hannah.Blythyn@llyw.cymru](mailto:Gohebiaeth.Hannah.Blythyn@llyw.cymru)  
[Correspondence.Hannah.Blythyn@gov.wales](mailto:Correspondence.Hannah.Blythyn@gov.wales)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Hannah Blythyn AM  
Minister for Environment

24 November 2017

Dear Hannah,

**Branching out: a new ambition for woodland policy**

Thank you for your letter of 23 November, in which you say you will not provide the written information requested by the Committee.

I trust you agree that Assembly Committees must be provided with appropriate information in order to fulfil their scrutiny function effectively. My letter of 16 October requested clarification of several aspects of the Welsh Government's response to the Committee's report. The Committee believes it would be appropriate and constructive to have that information in writing in advance of the Plenary debate on 13 December.

I would be grateful if you could provide the information as requested in my letter of 16 October, which is included as an Annexe for your convenience.

Yours sincerely,



Mike Hedges AM  
Chair of the Climate Change, Environment and Rural Affairs





Ein cyf/Our ref: MA-P/HB/4222/17

Mike Hedges, AM  
Chair  
Climate Change, Rural Affairs and Environment Committee

5 December 2017

Dear Mike,

Thank you for your letter dated 24 November 2017 in which you request further written information from Welsh Government on the Climate Change Committee's report, *Branching Out*.

The Department for Energy, Planning and Rural Affairs stands ready to provide any information, as and when requested by the Committee. However, as the Committee debate in the chamber on this subject is occurring soon, I feel that on this occasion it is appropriate to follow normal procedure, and provide further information, clarifications and detail, verbally as part of that debate.

I look forward to the debate on 13 December, as there is substantial consensus between the Committee and the Welsh Government on this very important issue.

Yours sincerely,

Hannah Blythyn AC/AM  
Gweinidog yr Amgylchedd  
Minister for Environment

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

[Gohebiaeth.Hannah.Blythyn@lyw.cymru](mailto:Gohebiaeth.Hannah.Blythyn@lyw.cymru)  
[Correspondence.Hannah.Blythyn@gov.wales](mailto:Correspondence.Hannah.Blythyn@gov.wales)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.





Llywodraeth Cymru  
Welsh Government

Mike Hedges AM  
Chair of Climate Change, Environment and Rural Affairs Committee  
National Assembly for Wales  
Cardiff Bay  
CARDIFF  
CF99 1NA

4

December 2017

Dear Mike

## Natural Resources Policy Stakeholder Workshop

Thank you for your letter of the 6 November 2017 on the Natural Resources Policy, in which you set out recommendations from your stakeholder workshop to inform the process of implementation and to suggest improvements for the next iteration of the policy. For ease of reference I have responded using the headings in your letter.

## Purpose and alignment with the Environment (Wales) Act 2016

As the second key product of the Environment (Wales) Act, the role of the Natural Resources Policy (NRP) is to set out the over arching risks and opportunities facing Wales' natural resources and identify the key priorities we will take forward, as a Government, in order to address them. In developing this first statutory NRP, we have identified three national priorities, namely delivering nature based solutions; increasing resource efficiency and renewable energy; and taking a place based approach. The priorities have been developed to both tackle the challenges facing Wales' natural resources, realise the significant opportunities and contribute across the well-being goals.

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

[Gohebiaeth.Lesley.Griffiths@llyw.cymru](mailto:Gohebiaeth.Lesley.Griffiths@llyw.cymru)  
[Correspondence.Lesley.Griffiths@gov.wales](mailto:Correspondence.Lesley.Griffiths@gov.wales)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



In taking forward the implementation of the NRP, the policies identified within the document are fundamental to its delivery and within my Department, work is already underway within the individual policy areas, for example, the *Water Strategy for Wales* sets out how it supports the sustainable management of natural resources and the well-being goals in delivering the strategy's vision. The waste strategy for Wales, *Towards Zero Waste*, has already made significant progress towards increasing resource efficiency. Building on the significant success in recycling, it will be updated in 2018 with the development of a route map for a more resource efficient economy. The *Wales National Marine Plan* has been developed to support the implementation of the NRP and more broadly the implementation of the Environment Act and the new *National Strategy for Flood and Coastal Erosion Risk Management* will take forward the delivery of natural flood management and coastal adaptation.

In terms of economic, environmental, social and cultural considerations, the Natural Resources Policy is an important component in the delivery of the overarching framework in the Well-being of Future Generations Act. In addition, the Environment (Wales) Act contains the key principles for the Sustainable Management of Natural Resources that were developed to align with and apply the five ways of working in the Well-being of Future Generations Act in the context of managing Wales' natural resources. Both Acts, therefore, drive an approach that ensures the contribution across all four areas is fully considered, however the emphasis is on the identification of the action that can drive the greatest 'win-win' benefits. The priorities set out within the NRP are those that have the potential to contribute to our sustainable economic, social, cultural and environmental development. With guidance for the Well-being of Future Generations Act already in place, we are working on key areas of guidance under the Environment (Wales) Act which will supplement the explanatory information that we have already produced on the Act. This includes guidance for public authorities on the Biodiversity and Resilience of Ecosystems Duty and for Natural Resources Wales on the implementation of part 1 of the Act.

### **Implementation of the NRP**

Collaboration is at the heart of the principles within the Well-being of Future Generations Act and the Environment Act. As set out above, work is already well underway to ensure the key policies across my portfolio are taking forward the delivery of the NRP. In doing so, reflecting the requirements of the Acts, collaboration with stakeholders is a key part of the work in each policy area. Furthermore, in producing the Natural Resources Policy, its development was informed by engagement with a wide range of stakeholders, on a sector and cross sectoral basis, alongside a more traditional public consultation. The *Environment, Planning and Rural Affairs Department's Brexit Roundtable* played a key role in this process, underlining the important read across to Brexit and its implications for the management of our natural resources. Going forward, the Roundtable will continue to play an important role in informing its delivery, in particular through the working groups set up on *Trade and Supply Chains; Evidence and Scenarios; Land Management; Seas and Coast; Air and Climate; People and Communities; and, Legislation and Regulation*.

Area statements, which will be developed by Natural Resources Wales, will provide a key source of evidence in relation to the risks and opportunities associated with the natural resources in a given area. In doing so, they will look at the opportunities to take forward the national priorities whilst also looking at the local issues within the area. This will provide a vital evidence base to both guide action by Natural Resources Wales and inform Public Service Boards, in particular in the development and implementation of Well-being Plans and Local Development Plans. In this way, Area Statements play a vital role in both the implementation of the Natural Resources Policy and the wider delivery of the Environment Act and Well-being of Future Generations Act.

In relation to monitoring and evaluation, against the role of the NRP in setting out the overarching risks and opportunities facing Wales' natural resources, we are developing an overarching framework for its monitoring and evaluation which will be informed by the sustainability appraisal undertaken. The appraisal drew on the evidence in the State of Natural Resources Report and appraised the contribution of the NRP across the well-being goals. In relation to the delivery of the priorities by the policies set out in the NRP, the monitoring and evaluation of those individual policies will play a vital role. For example in relation to the marine area, this will be through the Welsh National Marine Plan which will monitor and report on the effectiveness of its delivery. In relation to land management, the monitoring and modelling programme for Environment and Rural Affairs will provide an evidence base to inform the design and monitor the impact of Glastir and subsequent programmes' delivery of the Natural Resources Policy.

### **Alignment with domestic and international policies**

Clear alignment to international obligations was at the heart of the approach to the Well-being of Future Generations Act and the Environment (Wales) Act. The legislative framework that they put in place is founded on the international obligations enshrined within the three key UN frameworks on sustainable development, climate change and biodiversity. For example, Part 1 of the Environment Act legislates for the principles of the ecosystem approach adopted by the UN's Convention on Biological Diversity (CBD). The implementation of the Environment (Wales) Act and the Natural Resources Policy directly contribute to the Aichi Targets set out in the CBD's strategic plan. The priorities within the Natural Resources Policy have also been developed to tackle the underlying drivers and pressures affecting biodiversity and ecosystems as required by the Convention on Biological Diversity. The Natural Resource Policy's monitoring and evaluation framework will therefore include reporting against the CBD Aichi Targets.

As has come through our engagement with the Roundtable very clearly, the Environment and Well-being of Future Generations Acts provide a strong foundation for the management of Wales' natural resources that will not change as a result of Brexit. The engagement with the Roundtable to inform the development of the Natural Resources Policy has also further underlined the importance of Wales' natural resources to defining Wales' new place in the world. Going forward, the Roundtable working groups, and sector engagement, will play a vital role in informing the implementation of the policy, including emerging new policy, legal and financial frameworks as we move forward on the UK's withdrawal from the European Union.

In relation to Planning Policy Wales, a key part of the work to review the policy is to ensure it reflects the goals and ways of working enshrined in the Well-being of Future Generations Act and is aligned with the Natural Resources Policy. For example, Flood and Planning officials are working closely together to ensure that policies relating to development and flood risk are fully aligned in the relevant sections of the flood strategy, Planning Policy Wales and associated planning guidance (in TAN15). The revised policy will be issued for public consultation early next year.

### **Use of evidence**

The State of Natural Resources Report (SoNaRR) was a key source of evidence that informed the development of the challenges, opportunities and priorities sets out by the Natural Resources Policy. In addition, an independent sustainability appraisal of the Natural Resources Policy was undertaken where the assessment criteria for the appraisal were informed by the evidence within SoNaRR. In addition, in taking forward the implementation of the NRP, SoNaRR will be a key source of evidence for the delivery of the priorities through the individual policies.

Going forward, my department is working closely with Natural Resources Wales, through the joint Strategic Evidence Group, however any deficiencies in the evidence to be addressed for next iteration of SoNaRR is a matter for Natural Resources Wales.

### **Timescales and engagement**

Part 1 of the Environment Act sets out a clear, iterative cycle linked to the Assembly's election cycle. This comprises the requirement for NRW to produce the national evidence base in SoNaRR and the Welsh Government to produce the NRP, which in turn links to key requirements within the Well-being of Future Generations Act. Given that we are only partially into the first iteration of this cycle and there is a clear timescale for the production of the next version of SoNaRR, I have no plans to assess the appropriateness of its timing and frequency.

The key interface between the NRP and the role of the Public Service Boards in developing the Well-being Plans is set within the Environment and Well-being of Future Generations Acts. In particular, the area statements being developed by Natural Resources Wales, play a key role in providing an evidence base, including on the implementation of the NRP priorities, to inform the development and implementation of Well-being Plans. Natural Resources Wales are also statutory members of Public Service Boards and the Welsh Government is represented by a Senior Official at the Public Service Boards.

I welcome the Committee's interest in the implementation of the NRP and agree that it is an important opportunity for Wales. Not only in terms of improving the management of Wales' natural resources, but also in terms of the benefits that the NRP priorities can deliver across the Well-being Goals and in support of our delivery of *Prosperity for All*.

Yours sincerely



**Lesley Griffiths AC/AM**

Ysgrifennydd y Cabinet dros Ynni, Cynllunio a Materion Gwledig  
Cabinet Secretary for Energy, Planning and Rural Affairs



Mike Hedges AM,  
Chair of Climate Change, Environment, and Rural Affairs Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

21 November 2017

Dear Mike Hedges AM,

**RE: Disposal of dredged sediment at sea under marine licence 12/45/ML**

Thank you for your letter dated 13 November. Please see below responses to the questions that you raised in your letter.

**Question 1: *Can you explain the process NRW will undertake to ensure that the dredged sediment is “suitable” for deposit in the Cardiff Grounds site?***

We approved the licence holder's most recent sample plan in January 2017 (as required by licence condition 9.3). We consulted with Cefas<sup>1</sup> as part of this process to secure expert technical advice on the appropriateness of the proposed sample plan.

It is the applicant's responsibility to arrange for the samples to be collected from the locations identified in the approved sample plan. We understand that the licence holder has also commissioned Cefas to collect and then analyse the samples. Chemical contaminants will be assessed against Cefas Action levels (Cefas's guideline action levels for the disposal of dredged material are not statutory contaminant concentrations for dredged material but are used as part of a weight of evidence approach to decision-making on the disposal of dredged material to sea). The radiological assessment will follow the conservative generic radiological assessment procedure developed by the International Atomic Energy Agency (IAEA). Cefas will provide us with their advice on the suitability for deposit in the Cardiff Grounds site based on the results of those assessments.

We will then consider the conclusions of this advice in consultation with our internal technical experts (our internal radiological experts will liaise with Environment Agency (EA) nuclear regulatory contacts in providing comments) and Public Health Wales.

---

<sup>1</sup> [Centre for Environment, Fisheries and Aquaculture Science](#)

NRW will then determine if it is satisfied that the material is suitable for disposal in the Cardiff Grounds site. The licence holder will require prior written approval from NRW before it commences any disposal activities.

**Question 2: *Can you clarify how you will assess whether the grounds for suspension outlined in Section 72 have been met in relation to the results of the new samples acquired in May and reported to NRW in September 2017? Against what criteria would those grounds be assessed?***

We should clarify that NRW did not receive any sample results in September 2017. We understand that a new suite of samples has been taken and we are awaiting the results and conclusions from the licence holder.

There is no need to consider licence suspension. Licence condition 9.5 prohibits the licence holder from depositing any material after 4<sup>th</sup> March 2016 without our written confirmation that we are satisfied that the material is suitable for deposit in the Cardiff Grounds site. We will not give this approval unless we are satisfied that the material is suitable for disposal.

**Question 3: *EDF Energy has told the Committee that its initial tests investigated over 50 radio-nuclides but only three radio-nuclides were detected. Can you confirm this is the case?***

It would be helpful if the Committee could confirm which specific report is being referred to and we will provide a further response.

However, with respect to the separate independent radiological assessment that NRW contracted Cefas to undertake as part of the Marine licence determination process “*Radiological Assessment of Dredging Application for Hinkley Point C Power Station, Somerset (2013) CEFAS Environment Report RL 05/13*”, a sampling and analysis programme was developed in accordance with IAEA guidelines.

Samples were collected and analysed by gamma-ray spectroscopy to determine the levels of gamma emitting radionuclides (both man-made and naturally occurring) and results were reported for Am-241, Co-60, Cs-137, K-40, Ra-226, Th-232, U-238. In addition to these, the Am-241 data was used to derive estimates for Pu-239,240, Pu-241 and Pb-210. The activities of these alpha-emitting radionuclides were included in the same assessment.

The Cefas report concluded that the total radiation doses to individual members of the public and (dredging) crew, and collective doses, were within de-minimis criteria using assessment methodology developed by the IAEA. The results of which were reviewed by NRW with support from the EA to support our decision to issue a marine licence.

**Question 4: *Would you be prepared to consider commissioning a third party to review the findings of those tests? I trust that you will, in any event, share with this Committee and make public the findings of the most recent tests from May 2017.***

Cefas are an independent third party and are recognised experts in this field of work. We are confident in their competence as a provider of expert technical advice. Our radioactive substances regulation specialist was also consulted on the 2013 radiological assessment. The specialist liaised with the EA’s lead regulator for Hinkley. Both agreed that the Cefas

report was an adequate assessment of the radiological impacts and agreed with its conclusion.

We will follow the same process when we receive the suite of results for the 2017 samples, as well as consulting Public Health Wales.

We will be happy to share the results with the Committee and make them public once we have concluded our assessment.

**Question 5: *What is NRW's view on this issue? Is NRW satisfied that no further analysis of samples from beneath the surface is necessary?***

NRW is satisfied that no further analysis of samples from beneath the surface is necessary, because of the sampling that was undertaken at various depths in 2009.

There is no scientific evidence of higher radioactivity residing at depth in sediments in the Hinkley area. Radiological monitoring of sediments at Hinkley Point is undertaken each year as part of the food, environmental and dose monitoring programme, the results of which are reported in the annually published "Radioactive in Food and the Environment (RIFE)" report. The RIFE report represents collaboration by the environment agencies, Food Standards Agency and Food Standards Scotland across the UK, independent of industry.

Analysis of the monitoring provided by the applicant as well as the ongoing trend analysis of the results of the annual RIFE monitoring programme, shows no indication that deeper sediment layers have higher levels of radioactivity than the surface layers at Hinkley Point.

**Question 6: *Has an Environmental Impact Assessment been undertaken in relation to this specific licence? If not, why? Is NRW satisfied that in looking at this application for a licence to dispose dredged material at sea, that a robust process was followed that gave sufficient consideration to the protection of the marine environment and protection of human health?***

The applications were initially received and processed by Welsh Government (WG) Marine Consents unit. Significant progress had been made on both applications when they were transferred to NRW on vesting day (1 April 2013), when NRW was delegated the Welsh Marine Licencing function on behalf of Welsh Ministers.

We understand that the Welsh Government, as appropriate authority, took the decision that it was not necessary to determine this application under the Environmental Impact Assessment process. We therefore, in good faith, continued the determination of the marine licence application on that basis.

When NRW issued the marine licence in July 2014 we were satisfied that a robust process had been followed to ensure that the licence fulfilled its requirements of preventing pollution of the environment, harm to human health or impact to legitimate users of the sea.

**Question 7: *Is NRW satisfied it has sufficient data and information on the material, such as sediment samples at depth and testing for radioactivity, to assess in a reliable way the impact of the disposal of the material?***



We are confident that, providing the agreed sampling plan is followed, we will have sufficient data when the reports are submitted. We are satisfied that samples at depth have already been taken and that an appropriate assessment of any potential radiological contamination has been undertaken of all sample results received to date.

We await the submission of the results and conclusions of the samples taken in 2017. We will follow the same procedure, with advice from technical experts, to satisfy ourselves that the sediment does not contain any chemical or radiological contamination which would make it unsuitable for disposal in the Cardiff Grounds site.

**Question 8: *Can you explain the process undertaken by NRW to scrutinise this latest analysis and in doing so, satisfy itself that the conditions of the licence continue to be met?***

As stated above we have yet to receive the sample results and conclusions for the samples taken in 2017.

The approval of a sampling plan under licence condition 9.3 does not mean we have approved the disposal of the sediment. As stated above this requires prior written approval following our assessment of the sample results.

A monitoring plan must also be submitted for our approval under licence condition 9.1 (this plan is aimed at monitoring any build-up of material on the sea bed, rather than chemical or radiological contamination). There have been some discussions between us, the licence holder and our technical experts regarding the scope of such a plan, but we have not received a plan for our approval.

**Question 9: *Can you inform the Committee of any advice NRW received from the Cabinet Secretary or her officials on this issue and the actions you are taking in response?***

We have not received any advice from the Cabinet Secretary or her officials in the context of discharging any of the conditions associated with this Marine licence. However, as NRW is an arms-length sponsored body, which makes decisions independently, we would not expect to receive, or seek, such advice from Welsh Government since we make our evidence-based decisions independently.

We have, however, as is normal practice, met with officials from WG 's Marine and Fisheries Department to agree our communication strategy, and share our current position statement. Such actions were necessary given the level of public interest with this proposed dredge/disposal operation so that Welsh Government were briefed on our previous and current regulatory activities associated with this Marine licence.

**Question 10: *Are you satisfied that the public were consulted sufficiently during the process under Section 69 of the Marine Act?***

We are satisfied that a public consultation was undertaken during the determination of the licence application in accordance with our procedures and legal obligations. The consultation period commenced on 13<sup>th</sup> September 2012 for and lasted for 28 days.

This included the advertisement of public notices in the Western Mail. The notices directed the public to the application documents which were held at Cardiff Central Library.

**Question 11: *Can you confirm that NRW is satisfied that the marine licensing process is robust, fit for purpose and that NRW has sufficient resources to administer it? Are there any aspects of the marine licensing process you believe could be improved, or any matters you would like to draw to this Committee's attention?***

We are proud and confident of the level of experience, knowledge and technical ability we have developed within NRW to support the delivery of the Marine licensing function, following its delegation to us in 2013.

We are satisfied that the Marine licensing process is robust and fit for purpose and that the licences that we issue adequately protect the environment, human health and legitimate users of the sea.

In April 2017, Welsh Government brought in a new fees and charges system and enabled NRW to move to a model of full cost recovery from our licensing activities. This new model allows us to ensure that the level of resources can be adapted to reflect the level of licensing work being received. It also supports the procurement arrangements we have in place for the provision of specialist technical advice and support, through a dedicated budget.

To provide a forum for communication and a joined-up approach to the delivery of marine regulation in Wales, NRW and Welsh Government have created the Wales Marine Licensing Group. This forum creates the opportunity for liaison between WG Policy, WG Enforcement, WG Marine Planning, NRW Regulatory Advisors and NRW Marine Licensing.

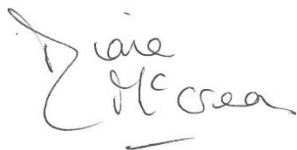
NRW and WG have also established a Marine stakeholder group to help inform the strategic direction of marine regulation in Wales. The stakeholder group also provided valuable input in the recent marine fees and charges review. NRW are active members of industry groups such as Marine Energy Wales, the Welsh Ports Group and the Marine Aggregates sector. These interactions help improve our understanding of our customers, and provide us with vital feedback to further improve our customer experience.

NRW endorses and supports the principle of 'continuous improvement'. Since the Marine licensing regime was brought into the NRW Permitting Service, we have already seen many process efficiencies, such as shared services for administrative tasks and knowledge transfer across the licencing regimes through a Technical Leads Group. We recognise that there are always areas where improvements can be made, such as in the production of guidance and additional website information for customers. We very much see this as an ongoing process that we need to deliver in conjunction with our partners and stakeholders.

It is worth drawing the Committee's attention to the WG's draft Welsh National Marine Plan (WNMP), which is nearing completion. Once implemented, we hope that it will provide better clarity for developers on the appropriate locations for particular marine activities and support NRW with its marine licensing decision making process.

I hope that you find these responses satisfactory. Please let me know if you would like any further clarification or information on the responses in this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Diane McCrea'. The signature is written in a cursive style with a large initial 'D'.

**Diane McCrea**

**Cadeirydd, Cyfoeth Naturiol Cymru  
Chair, Natural Resources Wales**

Mike Hedges AM  
Chair of the Climate Change,  
Environment and Rural Affairs Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

28 November 2017

Dear Chair,

## **FOLLOW UP TO COMMITTEE SCRUTINY SESSION 16 NOVEMBER**

We were pleased to update your Committee on our work at the scrutiny session on 16 November. During the meeting you asked for some further information which is detailed below.

As we explained, our key achievements are all set against a backdrop of diminishing grant-in aid budget. Notwithstanding this we are on track to deliver £171 million in savings by 2022-23, against the business case for establishing NRW's target of £158 million.

The work to embed our new purpose in everything we do is well underway, as is the task of redesigning our organisation to implement the new legislation and deal with reductions in funding. We are contributing fully to the implementation of the Environment and Well-being of Future Generations Acts through, for example, the State of Natural Resources Report (SoNaRR) and through our role in all 19 Public Service Boards across Wales.

We look forward to working closely with Welsh Government, particularly on how it can help us on the next steps of our journey, such as:

- reviewing our ability and flexibility to raise commercial and charge income in different ways, and give us more flexibility in how we spend our WG funding;
- providing statutory guidance around the Well-being of Future Generation Act and delivering our purpose and duties specifically where they are the subject of EU or national legislation.

- providing funding for new duties, give longer-term funding clarity and introduce more participatory budgeting processes;

Answers to the Committee's questions raised in the email of 17 November, after the meeting, are detailed below.

- **A note on the profit from the sale of timber felled as a result of tackling the Phytophthora Ramorum outbreak. Can you also let us know how much of that income was reinvested in replanting?**

Since NRW was created in April 2013, we have spent £13.6m on restocking (projected to 31 March 2018) through our normal programme and an additional £3.2m from the P ramorum programme. A total of 6,700 hectares have been replanted, including 2,500 hectares following the felling of infected trees.

In 2016-17, we received £3.2m of additional funding from Welsh Government to deal with Phytophthora ramorum (P ramorum). This was spent on felling (£920k), staff costs (£140k), civil engineering (£700k), forest planning (£232k) and replanting (£1.2m), representing the additional costs of working areas infected with P ramorum.

We received £2.4m income from selling infected larch in 2016-17. This income contributed towards the costs of harvesting, restocking, civil engineering and overhead costs for dealing with the infected larch.

- **The ways in which NRW is developing renewable energy on NRW owned land, through the [Carbon Positive Project](#). You mentioned that the aim of the project is to become carbon positive, and that you had achieved a 5% reduction year on year in carbon use. Could you set out any other targets you have related to reducing energy usage and generating and selling renewable energy to the grid?**

### **Carbon Positive Project**

The Carbon Positive Project investigated how we can reduce the net carbon footprint from our buildings, transport, land management, operational assets, and our procurement of goods and services. Welsh Government funded the project to act as an exemplar in decarbonisation for the Welsh public sector. Through sharing our approach and experience over the coming months, we aim to catalyse decarbonisation action by others in the Welsh public sector and assist the delivery of the Welsh Government ambition for a carbon neutral Welsh public sector by 2030.

We have recently published an [infographic](#) summarising our approach to carbon management providing headline results from our net carbon status calculation and some of the options being evaluated to address our carbon impact.

Further project outputs will be published in January 2018, including:

- a Strategic Report providing an overview of the project;
- a Technical Report setting out our approach to the calculation of our Net Carbon Status;
- a Technical Report setting out our approach to the evaluation of the organisations Mitigation Options;
- a series of short mitigation case studies.

The publication of these outputs will coincide with launch events in Bangor and Cardiff to share the approach and experience of the Carbon Positive Project. This will provide an opportunity for practitioners from across the Welsh public sector and beyond to learn from our approach and collectively consider the challenges and opportunities that the 2030 ambition presents.

All publications and details on the launch events in late January 2018 are available on our website.

<https://naturalresources.wales/about-us/corporate-information/carbon-positive-project/sharing-our-approach/?lang=en>

### **NRW's decarbonisation-related Environmental Objectives and Targets**

We publish a set of Environmental Objectives annually with associated targets for the year that always contain targets related to emission reduction. In 2017-18, these included to:

- Reduce the carbon dioxide emissions from occupied buildings and business travel by 5% based on 2016-17 data;
- Reduce the average emissions of cars in our fleet – with all new cars purchased to be < 100 g/km and increase the number of electric cars in the fleet.

We have made significant progress over the year 2016-17 (the last full reporting year) in reducing carbon emissions and our environmental footprint with the key achievements being:

- overall carbon emissions in 2016-17 were reduced by 15.0% compared with the previous year;
- energy use decreased in 2016-17 by 7.7% compared with 2015-16 data;
- water consumption decreased in 2016-17 by 2.7% compared with 2015-16 data.

A full list of our Environmental Objectives and targets along with the Corporate Environmental Report that provides more detail on the 2016-17 achievements set out above can be found at: <https://naturalresources.wales/about-us/corporate-information/managing-our-environmental-impact/?lang=en>

### **Developing Renewable Energy on the NRW Estate**

We have as part of the Carbon Positive Project undertaken a study to assess the potential for wind, hydro and solar renewable energy generation on the Estate. However, this work has focussed on spatially assessing the potential of the whole Estate. Follow up work is

required to look at the feasibility of renewable installations at the site-scale before we can consider the setting of renewable energy generation targets for the Estate.

It is also important to reiterate, as mentioned in the scrutiny session, that at present we're unable to sell renewable energy to the grid for legal reasons but we are currently in discussions with Welsh Government to enable us to do so. To date, our Energy Delivery Team has been focussed on facilitating onshore wind projects by other developers at Pen y Cymoedd (228 MW), Brechfa Forest (57 MW) and Clocaenog Forest (96 MW) and providing third party access across the NRW Managed Estate to wind energy projects on adjoining land.

However, business cases have been prepared for 10 self-build micro-hydro projects and the outputs of the Carbon Positive project highlights further potential for renewable generation on the Estate, where it is possible to do so without undermining the current management objectives of sites, e.g. avoiding development on ancient woodland sites or protected areas notified for their habitat or species interest.

Renewable energy generation is one the strategic priorities set out in our Enterprise Plan 2017-2022, developing targets for each Enterprise theme including renewable energy. Further details on this process are set out in the Enterprise Plan:

<https://naturalresources.wales/about-us/strategies-and-plans/enterprise-plan/?lang=en>

- **Whether or not NRW are considering any applications to carry out exploratory drilling related to fracking in Wales?**

We issued a permit to UK Methane Ltd in January 2016 for a mining waste operation (without a mining waste facility) associated with shale gas exploration in Pontrhydyfen.

The permit does not allow hydraulic fracturing. It allows the operator to manage wastes extracted from the exploration of unconventional oil and gas resources. The wastes generated will be non-inert/non-hazardous only.

The proposed development is for the drilling of an exploratory borehole for hydrocarbons and permitted activities include management of extractive waste arising from the exploration of hydrocarbons (unconventional oil and gas) activities.

Drilling at Pontrhydyfen has not yet commenced. The development is temporary; and from the initial ground preparation works, drilling and testing operations should not last longer than 54 weeks. The actual drilling operations and associated operations including establishment and site clearance will last about 14 weeks with a further period of up to 36 weeks for testing purposes.

Planning permission for the Pontrhydyfen development was consented by Neath Port

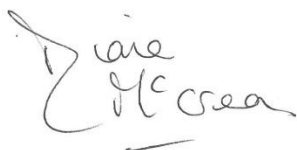


Talbot County Borough Council in March 2016 (reference - P2015/0031).

Further to this, we have not received any permit applications for high-volume hydraulic fracturing (as defined within the Infrastructure Act 2015), or other hydraulic fracturing well stimulation techniques for shale or any other hydrocarbon bearing formations.

Should you have any additional questions or need clarification, please do not hesitate to contact us. I also wish to reiterate the invitation to the Committee to visit any of our sites to see first-hand the range of our work and how it contributes to the sustainable management of natural resources throughout Wales.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Diane McCrea', with a stylized flourish at the end.

**Diane McCrea MBE**

**Cadeirydd, Cyfoeth Naturiol Cymru  
Chair, Natural Resources Wales**